**Strained alliance**
*France and Germany at odds on Europe*
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*Should we worry about global warming?*
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Separate sections

TOMORROW'S
**Weekend FT**
Beware of the sickly Russian Bear


# FINANCIAL TIMES

Europe's Business Newspaper — FRIDAY MARCH 18 1994


## BMW stays ahead of car industry rivals in Germany

BMW has once again proved the leading light of the German automotive industry. On the strength of a DM516m ($293m) net profit last year, and an unchanged dividend, the Munich-based carmaker plans to raise about DM800m through a rights issue. Daimler-Benz managed a net return of only DM600m, compared with DM1.45bn last time, and the troubled Volkswagen group came in as expected with a DM1.9bn loss, but maintained its DM2 payout as an indicator that it was on the road to recovery. Page 17

**Russian mayor forced out:** Victor Cherepkov, mayor of Vladivostok, was removed from office by riot police in a move that brings to the surface disputes over reform policies in a city where the growth of a free market has been more marked than any other in Russia. Page 16

**First woman general in German history**

Colonel Verena von Weymarn (left) of the German Air Force, will on April 1 become the first female general in German history, having been chosen by defence minister Volker Rühe. Meanwhile it was announced that for the first time Russia will hold large-scale naval manoeuvres with Germany, Britain, the Netherlands, Norway, Russia and the US, off the Norwegian coast from March 21.

**MoDo,** one of Sweden's leading forestry groups, signalled a long-awaited upturn in the forestry cycle when it announced a sharply reduced loss for 1993 and predicted a strong return to the black this year. Page 18

**LVMH,** French luxury goods group, announced a 19 per cent increase in net profits to FFr3.57bn ($590m) for 1993 and forecast strong earnings growth in 1994. Page 17

**London 'hampered over planning':** London's position as a world city has been weakened by the absence of a single planning authority for the central business district, according to property agents Hillier Parker. Page 9

**Reed Elsevier,** Anglo-Dutch information and publishing group, celebrated its first year as a combined operation with a 30 per cent increase in pre-tax profits to £534m ($779m) but the City marked down the shares of both partners, after they warned of difficult conditions ahead. Page 17; Lex, Page 16

**Peres calls for removal of settlers:** Israeli foreign minister Shimon Peres added his voice to the chorus of ministers calling for the evacuation of all Jewish settlers from Hebron, as new evidence emerged that Baruch Goldstein may have been aided by a second settler in carrying out last month's Hebron massacre. Page 6

**Chemicals upturn:** Firm signs of recovery after a four-year slump in the German chemicals industry emerged as BASF reported improved earnings and sales in the first two months of the year. Page 17

**Artificial 'bone' created:** UK scientists have made and tested a replacement bone material which knits cleanly together with real bone and could most importantly be used in hip replacements. Page 9

**Japanese spending falls:** Japan's difficulties in reviving flagging consumer demand were underlined by figures showing that Japanese households spent on average 0.6 per cent less in real terms last year than in 1992 – the first annual decline in household spending for 12 years. Page 7

**'War' warning:** An unprecedented liberation war lies ahead if the South African government crushes opposition to April's all-race elections, Chief Mangosuthu Buthelezi, leader of the Zulu-based Inkatha Freedom party, warned. Page 6

**Compromise sought on technology bill:** Controversial US legislation to speed the development of new manufacturing technologies and an "information superhighway" looked set to be sent to a House-Senate conference for a compromise to be thrashed out. Page 6

**Counter attraction:** Counterweights at the base of the 14th-century marble Tower of Pisa have not only stopped its leaning but have actually begun to reverse the process. As a result, visitors may be allowed to climb its 294 steps again.

**■ STOCK MARKET INDICES**

| | | |
|---|---|---|
| FT-SE 100: | 3,255.7 | (+12.8) |
| Yield | 3.71 | |
| FT-SE Eurotrack 100 | 1,461.88 | (-4.40) |
| FT-SE-A All-Share | 1,640.76 | (+0.3%) |
| Nikkei | 20,592.16 | (-85.61) |
| New York: lunchtime | | |
| Dow Jones Ind Ave | 3,847.0 | (-1.15) |
| S&P Composite | 469.26 | (-0.16) |

**■ US LUNCHTIME RATES**

| | |
|---|---|
| Federal Funds: | $3\frac{1}{16}$% |
| 3-mo Treas Bills: Yld | 3.549% |
| Long Bond | $92\frac{1}{4}$ |
| Yield | 6.819% |

**■ LONDON MONEY**

| | | |
|---|---|---|
| 3-mo Interbank | $5\frac{1}{2}$% | (same) |
| Liffe long gilt future: | Mar $111\frac{5}{32}$ | (Mar $111\frac{3}{4}$) |

**■ NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent 15-day (May) | $13.75 | (13.635) |

**■ Gold**

| | | |
|---|---|---|
| New York Comex (Apr) | $383.0 | (385.6) |
| London | $383.15 | (385.9) |

**■ STERLING**

| | | |
|---|---|---|
| New York lunchtime: | | |
| $ | 1.4935 | |
| London: | | |
| $ | 1.4975 | 1.4919) |
| DM | 2.5158 | (2.5227) |
| FFr | 8.5736 | (8.5762) |
| SFr | 2.1397 | (2.1384) |
| Y | 158.276 | (157.769) |
| £ Index | 80.5 | (same) |

**■ DOLLAR**

| | | |
|---|---|---|
| New York lunchtime: | | |
| DM | 1.68625 | |
| FFr | 5.7425 | |
| SFr | 1.4355 | |
| Y | 105.745 | |
| London: | | |
| DM | 1.68 | 1.691) |
| FFr | 5.7253 | (5.7485) |
| SFr | 1.4289 | (1.434) |
| Y | 105.695 | (105.750) |
| $ Index | 66.1 | (66.2) |

Tokyo close Y 105.78

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Austria | Sch32 | Greece | Dr350 | Lux | LFr65 | Qatar | QR13.00 | | |
| Bahrain | Din1.250 | Hong Kong | HK$18 | Malta | Lm0.60 | S.Arabia | SR11 | | |
| Belgium | BFr65 | Hungary | Ft185 | Morocco | MDh16 | Singapore | S$4.30 | | |
| Bulgaria | Lev25.00 | Iceland | IKr215 | Neth | Fl 4.00 | Slovak Rp | KSL50 | | |
| Cyprus | C£1.10 | India | Rs60 | Nigeria | Naira50 | South Africa | R12.00 | | |
| Czech Rp | CZK50 | Israel | Shk6.90 | Norway | NKr17.00 | Spain | Pta225 | | |
| Denmark | DKr16 | Italy | L3000 | Oman | OR1.50 | Sweden | SKr16 | | |
| Egypt | E£5.00 | Japan | Y500 | Pakistan | Rs40 | Switz | SFr3.30 | | |
| Finland | FM14 | Jordan | JD1.50 | Philippines | Pso50 | Syria | S£50.00 | | |
| France | FFr9.00 | Kuwait | Fils.625 | Poland | Zl 32,000 | Tunisia | Din1.500 | | |
| Germany | DM3.50 | Lebanon | US$1.50 | Portugal | Es225 | Turkey | L13000 | | |
| | | | | | | UAE | Dh12.00 | | |

# Sarajevo siege eased as drive for peace gains pace

## Croats and Moslems to sign agreement in Washington paving way for confederation

By Laura Silber in Belgrade and Judy Dempsey and James Blitz in London

The first steps towards lifting the siege of Sarajevo took place yesterday after Serbs and Moslems agreed to allow movement in and out of the Bosnian capital on the eve of a surprise visit to the republic by Mr John Major, the British prime minister.

A separate agreement between Bosnia's Croats and Moslems will be signed in Washington, highlighting the intensifying international moves towards an overall settlement for former Yugoslavia.

Mr Major is due to meet General Sir Michael Rose, the head of the UN operation in Bosnia. British officials said that the purpose of the prime minister's trip was to see the conditions in which British troops were operating and to discuss a joint initiative with the US to rebuild the infrastructure of Sarajevo.

The Sarajevo agreement, signed yesterday by Mr Momcilo Krajisnik, speaker of the Bosnian Serb assembly, and Mr Hasan Muratovic, a Bosnian official responsible for UN affairs, comes into effect next Wednesday.

Although the deal falls short of allowing complete freedom of movement, it signals the gradual return of normality to a city besieged by Serb forces for over 23 months, and whose inhabitants were prevented from leaving by the Bosnian government for fear the capital's defences would collapse.

However, commercial traffic will not be allowed into the city, people can be refused permission to leave and anyone wanting to cross the front lines on certain routes must apply for permission 24 hours in advance.

"The siege will not be over until all citizens can be transported freely," Mr Muratovic told reporters in Sarajevo.

Yesterday's agreement is a result of the shuttle diplomacy led by Mr Vitaly Churkin, Russia's special envoy, Mr Charles Redman, his US counterpart, and UN officials in their bid to maintain the peace momentum after Bosnian Serbs last month agreed to withdraw all heavy weapons from Sarajevo or risk Nato air strikes.

Another agreement resulting from this shuttle diplomacy is expected to be sealed today in Washington when President Bill Clinton presides over the signing of a constitution which will bind Bosnian Croats and Moslems in a loose federation.

President Franjo Tudjman of Croatia and President Alija Izetbegovic of Bosnia, are to sign the agreement, which is likely to pave the way for the establishment of a confederation between Croatia and the new Bosnian federation in a move which could end the fighting in the western part of Bosnia.

Mr Churkin, who is in Washington, is due to hold talks with US and UN officials at which he is expected to spell out plans for an agreement between Serbia and Croatia as part of an overall settlement aimed at finally bringing peace to the region.

# Compromise offer to UK and Spain on EU expansion

By Lionel Barber and David Gardner in Brussels and Roland Rudd in London

Britain and Spain are being offered an automatic right to delay European Union decisions for two months in an effort to resolve the crisis over entry terms for Sweden, Finland, Austria and Norway next year.

The compromise being informally offered by the 10 EU partners falls short of Anglo-Spanish demands to maintain present voting rules, whereby two big countries and one small member state can combine to block decisions.

But it might allow London and Madrid to proclaim a partial victory in their efforts to protect the interests of big member states when the union expands from 12 to 16 countries.

The UK cabinet yesterday authorised Mr Douglas Hurd, foreign secretary, to reach an agreement that falls short of Britain's present position. But he was warned by colleagues that any deal must preserve the "substance" of the original position. Several ministers warned against any compromise that could be interpreted as a climbdown.

Mr Michael Heseltine, trade and industry secretary, said the government would continue to fight for Britain's interests at the heart of Europe.

At prime minister's questions, Mr John Major rebuked a Conservative Euro-sceptic who tried to draw him on the negotiations. He said Mr Hurd would defend "Britain's best interests without any delay in enlargement". Tory Euro-sceptics, led by Mrs Ann Winterton, unsuccessfully demanded a debate on the future shape of the EU.

Senior EU diplomats made

■ Germany and France cover up their differences Page 16

clear that the "delaying minority" formula was the most the UK and Spain could expect when EU foreign ministers try, once again, to break the deadlock at a meeting in Brussels next Tuesday. "They will not get all they want, but they will receive something," commented one official.

The compromise would give member states at risk of being outvoted an automatic right to one month's delay. The rotating presidency of the EU and the Commission would be asked to seek a consensus. The procedure could be repeated, again for a month, at which point member states could take a decision.

Mr Hurd has said the UK could live with a Spanish compromise on weighted voting. That would increase the threshold of the "blocking minority" from 23 to 27 votes; but it would not apply when three member states who together have 23 votes and represent more than 100m people either oppose or abstain on a measure.

However, the informed judgement in Brussels is that that formula is not acceptable to the European Parliament, which must approve accession of the four countries by May 4.

EU diplomats in Brussels have also warned that several national parliaments, notably those of Belgium and the Netherlands, would refuse to endorse the Anglo-Spanish proposals because they would paralyse decision-making and strengthen the power of the bigger states.

A compromise on voting weights would remain in force until 1996, when all EU member states are due to hold a constitutional review to examine the operation of the Maastricht treaty. Hopes that it might settle the present differences are tempered by the knowledge that the difficult question of power-sharing in an expanded union is only being postponed.

Reuter

Paul Touvier awaits the start of his trial for war crimes in Versailles yesterday. Touvier, 78, was intelligence chief of the militia in Lyon

# Satellite venture wins $600m contracts

By Louise Kehoe in San Francisco

A US-Russian joint venture to launch satellites using Russian Proton rockets has secured over $600m in contracts, including an agreement to launch up to five satellites for a European television broadcaster, officials of Lockheed-Khrunichev-Energia International announced.

Charles Lloyd, LKEI president and chief executive officer, said: "This is an extremely important contract for us, because we beat the French in a deal with a European customer." Ariane, the France-based European consortium that controls about 60 per cent of the world's satellite launch business, also bid for the contract, Mr Lloyd said.

LKEI will launch up to five satellites for Société Européene des Satellites (SES), a Luxembourg-based company that is building a satellite broadcast network called DirectTV.

The contract is in addition to an earlier agreement to launch up to five satellites for Space Systems/Loral, of California. The first launch is set for early next year. Before the formation of LKEI last year, the Russian partners reached an agreement to launch communications satellites for Motorola.

The latest contracts make LKEI a serious contender in the $1.6bn commercial satellite launch market, analysts said.

Continued on Page 16

# Rift with Murdoch threatens BBC's TV service in China

By Raymond Snoddy in London

Mr Rupert Murdoch is planning to stop beaming the BBC World Service Television News into China, Taiwan and Hong Kong, apparently in response to Chinese government sensitivities over television news from the west delivered by satellite.

Mr Murdoch, who last year bought a controlling interest in Star TV, the satellite system that broadcasts the BBC in Asia, is planning instead to show a Chinese-language film channel.

China recently clamped down on Star TV dishes and has expressed anger abont a recent BBC documentary on the life of the late Chinese leader Mao Zedong and references in programmes to the massacre in Tiananmen Square in 1989.

News Corporation and BBC are already in dispute over the BBC's plans to launch an Arabic-language service aimed at the Middle East, a service which would have overlapped with the five-channel Star service.

The key issue between the BBC and News Corporation, however, is the Star news contract, and detailed negotiations have been going on for some time.

Both sides have the right to terminate the contract at the end of this year but Mr Murdoch wants to end the contract before that. If agreement can be reached, the BBC is prepared to give up the northern beam of the Star satellite system, which broadcasts to China, Taiwan and Hong Kong, in return for staying on the southern beam, which covers India and the subcontinent, for up to 18 months.

Such a deal would give a breathing space to enable the BBC to move World Service Television News to other satellites in the region.

If the BBC cannot reach agreement with Star, it will insist on the contract being honnured until the end of the year when either side has the right to issue notice of termination.

According to the Far Eastern Economic Review, the new Chinese movie channel replacing the BBC in China is to be launched in early May.

In a London speech in September, Mr Murdoch emphasised how advances in the technology of communications had proved an unambiguous threat to totalitarian regimes everywhere. Satellite broadcasting in particular, Mr Murdoch added, had made it possible for information-hungry residents of closed societies to bypass state controlled television.

Last month, Mr Murdoch conceded at a New Delhi press conference that "there had been some sensitivity, particularly about beaming foreign news into China."

# Hanson to attack Asian markets

By Maggie Urry in London

Hanson, the Anglo-American conglomerate, is to enter the rapidly growing Far East markets by establishing a new subsidiary, Hanson Pacific, in Hong Kong.

The attack on Asia will be led by Mr Robert Hanson, 33-year-old son of the chairman, Lord Hanson. He will chair Hanson Pacific, which will be run by two new appointments to the group, Mr Simon Hsu, a former investment banker, and Miss Yuen-Cheng Ng, a US trained lawyer.

The new subsidiary is intended to develop opportunities in Asia, but is unlikely cause a substantial shift in the source of group profits for some time.

Hanson sees Asian potential for joint ventures for subsidiaries, such as Peabody Coal, SCM Chemicals, Cavenham Forest Products and Imperial Tobacco – which is already looking at opportunities in China. The office will supplement Hanson's interests in Australia, which include coal and titanium dioxide.

So far Mr Hanson's success as a corporate strategist has been limited. As a main board member, his current role is to look for opportunities in Europe.

In October 1992, he implied

Continued on Page 16

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This announcement appears as a matter of record only — March 1994

comer

£20,000,000

Management Buy-Out of

Comer International Ltd.

from Keltica Inc

Equity led and arranged by

NatWest Ventures

Co-underwritten by

Montagu Private Equity

Bankers

Ulster Investment Bank Limited

Reporting Accountants

KPMG Corporate Finance Leeds

Solicitors

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# Kinkel's 'dynamism' upsets the French

By Quentin Peel in Bonn

Mr François Scheer, France's able and experienced ambassador to Germany, was not the only man in the firing line in Bonn yesterday.

To be sure, his injudicious briefing of German correspondents on strains in the Franco-German relationship was the immediate cause of an outburst of German indignation.

German officials were adamant that he had been "summoned" to the Foreign Ministry to explain himself, and persuaded to issue a retraction of his reported words. The French version was that the meeting was pre-arranged, and the whole affair blown up out of all proportion. Yet behind the diplomatic flurry, and the anxious telephone calls between Bonn and Paris, lay the hand of the man who was clearly the target of much of the real French concern about Germany's new foreign policy style and direction: Mr Klaus Kinkel, the foreign minister.

It is his blunt manner of speaking and short fuse in delicate negotiations which have clearly upset some of his counterparts, both in Paris and Brussels. He is clearly a man who arouses strong feelings on both sides.

"He is like a breath of fresh air," according to one European diplomat in Bonn. "He is certainly a bit of a bull in a china shop, but sometimes deliberately so. That is his way of getting things done." One French minister puts it rather differently, albeit diplomatically: "We have been a little upset by his dynamism."

In Brussels, officials involved in the recent enlargement negotiations on the admission of Austria, Finland, Norway and Sweden into the EU – negotiations on which the German government set great store – described his behaviour as "extraordinary".

"He was cursing people on all sides, saying he was wasting his time," according to one senior official. "He managed to offend the Spanish, the Irish, the Norwegians and the French, to mention just a few."

Yet he has his admirers. One fairly neutral observer declared: "The enlargement talks were his finest hour. If it had not been for Kinkel, they would never have been finished. The Germans moved in and took over the whole thing. They set up informal working groups under German chairmanship. It was a thoroughly impressive operation."

Mr Kinkel is the unlikely combination for a foreign minister of an undiplomatic, unpolitical animal. Yet he was singled out by his former boss and mentor, Mr Hans-Dietrich Genscher, as the right man to take over his mantle, not only as foreign minister but also as leader of the Free Democratic party, the eternal king-makers in the German system of coalition governments.

The pressure on him today is enormous. Not only does he have to carry out all the functions of a foreign minister, but he also has to rescue his party from the threat of political oblivion. The FDP slumped last weekend in the state elections in Lower Saxony below the magic 5 per cent needed to gain any seats. It was a result certain to fuel grumbling about his leadership.

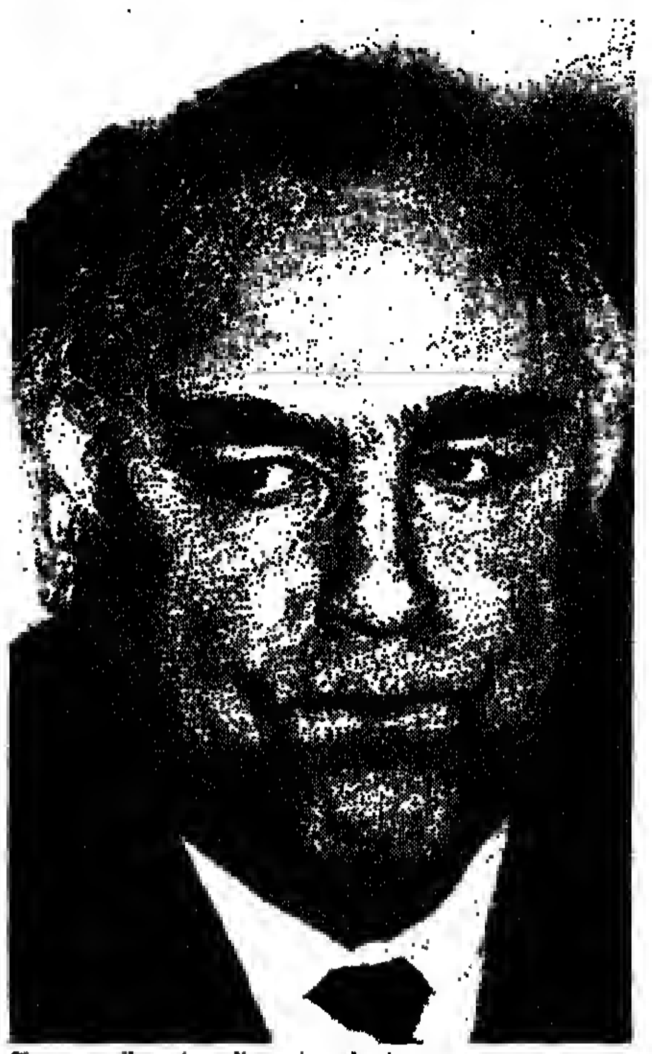
His lack of frontline political experience also makes him hypersensitive to criticism. "He has a very short fuse, and he is sensitive about being sensitive," one Bonn observer said yesterday. "He is under attack on the domestic front, where his party is in grave trouble. And he faces criticism about his lack of diplomacy.

"Mr Scheer could scarcely have chosen a worse moment to criticise him personally."

Odd Couple's tiffs, page 15

# The conversion of Mr Chernomyrdin

## Russia's so-called conservative prime minister has become dedicated to reform, writes John Lloyd


Chernomyrdin: extraordinary turnabout

Mr Victor Chernomyrdin, the Russian prime minister, long regarded as a conservative, is enjoying a second career – as a reformer. "There is no doubt he's serious," said a senior US Treasury official this week. The evaluation marks an apparently extraordinary turnabout.

The 55-year-old premier has been in office for a little over a year, since taking over from Mr Yegor Gaidar at the end of 1992. Instantly seen as a conservative from the energy lobby, the spoilt object of state investment – he was formerly a Soviet oil and gas minister and head of the Gasprom gas monopoly – he spent much of last year appearing grudgingly to go along with reformist plans driven by deputy prime ministers like Mr Anatoly Chubais (privatisation), Mr Boris Fyodorov (finance) and Mr Gaidar (economy).

Since the last two of these resigned in January, it has gradually become clearer that Mr Chernomyrdin, and his first deputy prime minister Mr Oleg Soskovets, wish to emerge as reformist figures and to be seen as men who are as convinced of the necessity for the adoption of market principles as their former colleagues. The evidence includes:

**Russia told the US yesterday it would join Nato's Partnership for Peace military co-operation programme, Reuter reports from Moscow. *The partnership offers the countries of eastern Europe* and the former Soviet Union closer military ties with Nato without full membership rights.**

● A continued insistence by Mr Chernomyrdin on a tight credit policy, of the kind which brought down inflation to a low of 10 per cent last month. Mr Chernomyrdin took exception two weeks ago, during a meeting of ministers, senior officials and regional leaders, to a speech by Mr Victor Gerashchenko, central bank chairman, in which his one-time ally said inflation was less important than the maintenance of employment: for the first time, in public, Mr Chernomyrdin underscored his difference of principles with the bank chairman.

Perhaps because of this, Mr Gerashchenko has also kept the lid on credit expansion this year: financial officials say that credit is running at only 40 per cent of the level permitted by the government's Credit Committee.

● A commitment to radical measures – including land privatisation. Mr Chernomyrdin went to Nizhny Novgorod last week and there enthusiastically endorsed auctioning of land to the members of state and collective farms – saying that he would ensure that the Nizhny model became a federal programme. Nizhny Governor Boris Nemtsov, the symbol of regional reform, was delighted.

● The testimony of those close to him – notably that of Mr Peter Castenfelt, a respected Swedish financier with a long record of working with Russia, who last month was appointed adviser to Mr Chernomyrdin and Mr Soskovets on enterprise reform. Mr Castenfelt last month pressed Mr Michel Camdessus, the managing director of the International Monetary Fund, to accept the Russian premier's reformist credentials.

"Mr Chernomyrdin is absolutely determined to keep to the budget," said Mr Castenfelt, now in Moscow. "He's a real boss, and now he means business. He's much more market-oriented than he's been represented – but he's been burned by the criticism of him as a conservative and he feels isolated from western opinion."

However, Mr Chernomyrdin must be at least as tough – in fact, tougher – than were Mr Gaidar or Mr Fyodorov, if his newly-minted credentials are to stand the test. Yesterday he told the parliament's upper house that he had signed the 1994 budget and passed it to parliament for consideration. That "consideration" will be the first real test of the parliament's mood on the economy.

It will, at the least, not be an easy ride: the Rbs183,000bn expenditure envisaged has been greeted with threats of social explosion from all the lobbies, especially from the army, and lobbies are well represented in both houses of parliament. On the income side, the envisaged Rbs120,000bn is unlikely to materialise: poor tax collection and declining profits have meant that income is running at little more than half that annual rate.

If parliament rejects the budget, a very hard choice must be made. The options are to bow to its will and print vast sums of money to cover a budget even more in deficit than the proposed one; to resign; or to bring the budget in under presidential decree – an option under the constitution.

Mr Chernomyrdin has stood with President Boris Yeltsin for the past year and he stands or falls with Mr Yeltsin. For the moment, that means he stands for reform.

**WEST EUROPEAN NEW CAR REGISTRATIONS**
**January-February 1994**

| | Volume (Units) | Volume Change(%) | Share (%) Jan-Feb 94 | Share (%) Jan-Feb 93 |
|---|---|---|---|---|
| TOTAL MARKET | 1,963,000 | +4.1 | 100.0 | 100.0 |
| MANUFACTURERS: | | | | |
| Volkswagen group | 317,000 | +0.0 | 16.1 | 16.8 |
| – Volkswagen | 215,000 | –0.0 | 11.0 | 11.4 |
| – Audi | 47,000 | –7.0 | 2.4 | 2.6 |
| – Seat | 46,000 | +3.9 | 2.3 | 2.3 |
| – Skoda* | 8,000 | +32.6 | 0.4 | 0.3 |
| General Motors# | 252,000 | +9.6 | 12.9 | 12.2 |
| – Opel/Vauxhall | 241,000 | +8.7 | 12.3 | 11.8 |
| – Saab** | 8,000 | +40.7 | 0.4 | 0.3 |
| PSA Peugeot Citroen | 245,000 | +7.8 | 12.5 | 12.1 |
| – Peugeot | 143,000 | +2.7 | 7.3 | 7.4 |
| – Citroen | 102,000 | +15.9 | 5.2 | 4.7 |
| Fiat group## | 235,000 | –4.8 | 12.0 | 13.1 |
| – Fiat | 180,000 | –1.4 | 9.2 | 9.7 |
| – Lancia | 31,000 | –15.0 | 1.8 | 1.8 |
| – Alfa Romeo | 21,000 | –16.1 | 1.1 | 1.4 |
| Ford# | 234,000 | +5.9 | 11.9 | 11.7 |
| – Ford Europe | 231,000 | +5.8 | 11.8 | 11.8 |
| – Jaguar | 2,000 | +8.1 | 0.1 | 0.1 |
| Renault | 197,000 | –0.4 | 10.0 | 10.5 |
| BMW group† | 125,000 | +6.1 | 6.4 | 6.3 |
| – BMW† | 61,000 | –3.2 | 3.1 | 3.3 |
| – Rover† | 64,000 | +16.7 | 3.3 | 2.9 |
| Mercedes-Benz | 74,000 | +45.5 | 3.8 | 2.7 |
| Nissan | 69,000 | +7.8 | 3.5 | 3.4 |
| Toyota | 48,000 | +0.2 | 2.5 | 2.6 |
| Volvo | 33,000 | +24.2 | 1.7 | 1.4 |
| Mazda | 29,000 | +0.0 | 1.5 | 1.6 |
| Honda† | 23,000 | +9.3 | 1.2 | 1.1 |
| Mitsubishi | 19,000 | –2.8 | 1.0 | 1.0 |
| Total Japanese | 214,000 | +0.7 | 10.9 | 11.3 |
| MARKETS: | | | | |
| Germany | 485,000 | +1.7 | 24.7 | 25.3 |
| Italy | 345,000 | –12.8 | 17.6 | 21.0 |
| United Kingdom | 344,000 | +17.9 | 17.5 | 15.5 |
| France | 265,000 | +11.2 | 13.5 | 12.6 |
| Spain | 115,000 | +15.6 | 5.9 | 5.3 |

*VW holds 31 per cent and management control of Skoda.
#Includes cars imported from US and sold in western Europe.
**GM holds 50 per cent and management control of Saab Automobile.
## Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati.
†BMW is acquiring 100 per cent of Rover group, 80 per cent from British Aerospace and 20 per cent from Honda.

Source: Industry estimates

# Recovery in car sales faltering

By Kevin Done, Motor Industry Correspondent

The recovery in west European new car demand faltered in February, with sales rising by less than 1 per cent to 926,000 units from 919,000 a year ago.

In January, sales increased by around 7 per cent year-on-year, halting 12 months of unbroken decline in the European market.

In the first two months of the year new car sales at 1.96m were an estimated 4.1 per cent higher than a year ago.

Sales in the whole of 1993 fell by 15.2 per cent to 11.45m units, the steepest decline in the post-war period.

The renewed weakness in demand comes as the European Commission and the Japanese Ministry for International Trade and Industry resume negotiations today in Tokyo on the level of Japanese car and light commercial vehicle exports to the European Union this year.

Sales in the EU fell by 15.9 per cent to 11.74m vehicles last year, while direct vehicle exports from Japan to the EU were reduced by 18.4 per cent to 980,000 units. The Japanese share of the European market rose slightly, however, as a result of increasing Japanese vehicle production in Europe.

Last month a recovery in sales in France and Spain and a strong increase in the UK as well as in several smaller European markets helped compensate for the continuing steep decline in new car demand in Italy and the weakness of the German market.

In February new car sales were higher than a year ago in 12 of 17 markets across west Europe. Demand rose year-on-year by 14.8 per cent in the UK, by 8.2 per cent in France and 6.1 per cent in Spain. New car sales fell by 15.7 per cent in Italy, however, following a drop of 20.4 per cent in 1993.

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EUROPEAN NEWS DIGEST

# Pay protests sweep France

Demonstrators and police clashed in Paris yesterday after French trade unions and student groups joined forces to protest against a law which they claim undermines the minimum wage but which the government sees as vital to reduce youth unemployment. More than 30,000 demonstrators took part in the protests in Paris, which were the first to bring concerted action by the largest union groups and student organisations. Clashes erupted on the fringes of the march, with some demonstrators throwing stones and bottles at riot police. Tens of thousands of demonstrators also joined protest marches in provincial cities including Bordeaux, Lille and Lyons.

The protestors say the law, which allows apprentices between 16 and 25 to be paid less than the minimum wage of FFr5,866 ($980) per month, undermines workers' rights and forces the young to pay for their training. Mr Edouard Balladur, the prime minister, sought to ease concerns in an open letter published in the daily Libération. "Do you really think that the government would deliberstely seek to harm the young?," he asked. "Our only motive is to end the situation where 750,000 youth are deprived of a job... I refuse to allow one in four young people to remain on the wayside." Yesterday's protests were the fourth significant demonstration against the measures, and were called despite government concessions. *John Ridding, Paris.*

## Spain fines KIO company

Spanish authorities yesterday imposed fines of Pta1.8bn ($12.58m) on the Kuwait investment Office's collapsed Spanish holding company and its affiliates for failing to declare share purchases made in 1990 and 1991. Grupo Torras, which went into receivership in 1992, was fined Pta1.3bn and the Dutch company Kokmeeuw Holdings Pta500m. Smaller penalties of Pta5m were imposed on KIO's former Spanish agent Mr Javier de la Rosa, an investment company owned by him and another investment unit controlled by KIO. The case involved indirect purchases to increase the group's stake in the Ercros chemical concern and Prima Inmobiliaria, a property company, said Spain's National Securities Market Commission. Under Spanish law, purchases of more than 5 per cent in a traded company must be declared. *David White, Madrid.*

## Economic outlook brightens

Evidence emerged yesterday that France and Germany, Europe's two biggest economies, are emerging from recession more strongly than expected. In France the National Institute for Statistics and Economic Studies predicted growth of 0.7 per cent in the first half, up from December's forecast of 0.5 per cent. The revision is because of unexpected strength in household spending and exports. And in Germany, Mr Tyll Necker, head of the BDI industry federation, detected the first signs of recovery, saying industry was receivinga small boost from increasing export orders. Mr Edmond Alphandéry, the French economics minster (left), was buoyant: "Everything is going in the right direction. All our forecasts are being confirmed and, day after day, statistics prove the government's scenario is realistic," he said. However, Insee expects unemployment to rise to 12.7 per cent. Mr Necker admitted inland consumer and investment demand remained weak, a view endorsed by the Federation of German Retail Traders who said retail sales in western Germany would fall up to 4 per cent this year. *Reuter/AP, Paris, Bonn.*

## Bank workers accept 2% rise

About 440,000 German bank employees yesterday accepted a 2 per cent pay rise, bolstering hopes that non-inflationary pay settlements can be achieved across the board in Germany. After four rounds of talks and a final 12-hour session, agreement was reached in line with earlier pay rises for engineering and public sector workers but below forecast annual inflation of 3 per cent. Construction, textile and print workers are the only big labour groups who have yet to negotiate a pay deal this year. *Michael Lindemann, Bonn.*

## Polish reformer chosen

Mr Waldemar Pawlak, Poland's prime minister, is to ask President Lech Walesa to appoint Mr Dariusz Rosati, an advocate of free-market reforms, as deputy prime minister and finance minister. Mr Rosati, 48, an economics professor, is expected to pursue a financial austerity policy. He was proposed by the leftist Alliance to replace Mr Marek Borowski, who resigned over policy differences with Mr Pawlak. Mr Rosati is head of the East and Central European section of the United Nation's Economic Commission. *AP, Warsaw.*

## Compensation for Nazi victims

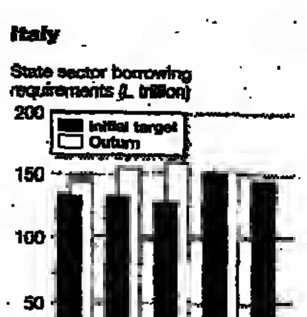
The Czech government will pay Kcs1bn ($33.8m) to an estimated 10,000 victims of Nazi persecution during the second world war. However, the compensation will apply only to those who suffered in concentration camps and prisons, not to those uprooted and subjected to forced labour. The money for compensation will probably be drawn from a sale of enterprises formerly owned by the Communist party or from the privatisation of small enterprises. The government continues to seek compensation from Germany. *AP, Prague.*

## Turkish Kurd MPs charged

Six Turkish MPs, representing radical Kurdish groups, were charged yesterday and could face the death penalty if convicted for offences against the unity of the state. Mrs Tansu Çiller, the prime minister, said the MPs were surrounded by a "cloud of terrorism" which linked them to the outlawed Kurdish Workers' party. *Reuter, Ankara*

ECONOMIC WATCH

## Italy reins in budget deficit



Source: Bank of Italy

Italy's budget deficit fell by 3.3 per cent last year but was still marginally higher than forecast at L153,539bn ($90.85bn). This compares with a projection of L151,200bn and the previous year's L158,840bn. Excluding interest payments on the rising debt stock, there was a surplus close to 2 per cent of gross domestic product. Although austerity measures to contain public borrowing were the harshest applied by any EU member, the deficit still represented almost 10 per cent of GDP. Italy is committed to bring the deficit within Maastricht convergence criteria to around L106,000bn (5.8 per cent of GDP) by 1996. The 1994 budget envisages a deficit of about L151,000bn. *Robert Graham, Rome.*

■ Consumer prices in the Netherlands rose 0.5 per cent in February from the previous month and were 3 per cent higher than a year earlier. Excluding indirect taxes, the February consumer price index was up 2.5 per cent from a year earlier and 0.6 per cent up from January.

■ Swedish consumer prices rose 0.3 per cent in February, and 1.9 per cent since February last year.

# Italy's centre parties launch offensive

By Robert Graham

ITALIAN ELECTIONS March 27

Italy's centre parties bave launched a desperate offensive to avoid being squeezed to insignificance by the big coalitions to their left and right in the March 27 general elections.

Centrist leaders yesterday began a series of measured attacks focusing on disagreements within the Progressiva Alliance led by the former communist Party of the Democratic Left (PDS) and tbe potential cost of media magnate Mr Silvio Berlusconi's economic programme.

Until now the two principal groupings forming the centrist Italian Pact – tbe Popular party (PPI), formed from the defunct Christian Democrats, and referendum leader Mario Segni's Pact – have been marginalised.

But in the past few days the centrists have taken heart from a growing feeling that neither the left nor the right are likely to win an outright parliamentary majority. They are thus hoping to play a broker's role in forming the next government. Mr Giorgio La Malfa, the Republican party leader and part of the Italian Pact, said yesterday: "In the past few days the centre has relaumcbed itself because people have realised there are not two but tbree voting options ... They also have woken np to the fact that today's alliances on the left and right would be tomorrow's government if either wins outright."

He and other ceotrist politicians also highlighted the contradictions in the position of the PDS's principal ally, Reconstructed Communism, formed from the hardline rump of the old Italian Communist party. Reconstructed Communism supports raising taxes on government bonds and withdrawing from Nato.

At the sama time, Professor Mario Baldassari, the chief economist of the Pact, said the free market proposals of Mr Berlusconi's Forza Italia platform risked a drop of some L45,000bn ($27bn) in budget revenues. He said yesterday the programme would be impossible to carry out without raising the ratio of debt to GDP to well over 125 per cent by 1995.

Mr La Malfa went further and claimed that a government formed solely from the right – Forza Italia, the populist Lombard League and the neo-fascist MSI/National Alliance – risked provoking a confrontation with Italy's trades unions.

This in turn put at risk the July 1993 tripartite agreement between employers, trades union and the Ciampi government linking wage increases to prodnctivity and endiog wage indexation.

Coinciding with these criticisms, the former Socialist prime minister, Mr Giuliano Amato, has been pointing to the need for a broad-based government. Both Mr Achille Occhetto, the PDS leader, and Mr Bertusconi have been hinting that this was an option they could support.

Playing on the large number of nndecided voters and tbe fear of a polarised result is the best tactic available to the centre. Nevertheless, the Italian Pact and its leader, Mr Segni, still risks being the main victim of the new first-past-the-post voting system that covers 75 per cent of parliamentary seats. Both the left and right appear to have acquired a critical mass of snpport, making it hard at the constituency level for Pact candidates to get the most votes.

# Battle in outpost to open road to Rome

**Robert Graham** reports from the port city of Trieste, where electioneering differs from the rest of Italy

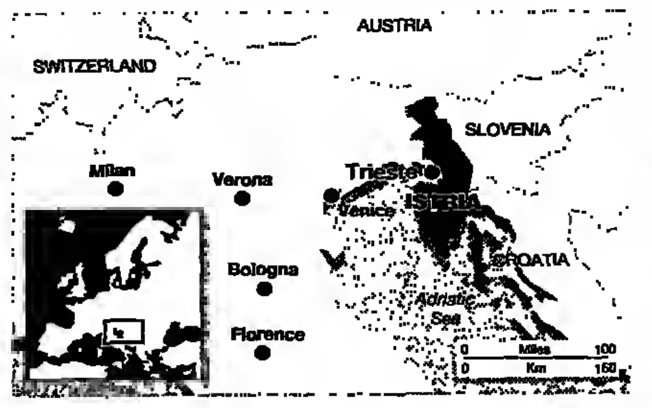
Few places feel as far away from Rome as Trieste, the once proud port city of the Austro-Hungarian empire, which looks across the placid waters of the Adriatic to tbe Italian peninsular.

The cbatter of Slav languages can be heard down by the wharves. Dotted about the city is an array of huildings and monuments attesting to a polyglot influence from north and central Europe, including a staircase dedicated to the sojourn of James Joyce.

Not surprisingly the general election campaign has a distinctive local flavour. This is dictated by the 25,000-strong Slovene-speaking community and by the irredentist demands of the right for a return of large parts of Istria, territory lost by Mussolini's adventurism and formally alloted under the 1975 Treaty of Osimo to Yngoslavia, now complicated by the break-up into neighbouring Slovenia and Croatia.

Trieste is the sole place in north and central Italy where the neo-Fascist MSI movement, recently re-baptised tbe National Alliance, is running candidates independent of media magnate Silvio Berlusconi's Forza Italia movement. The MSI accounts for more than 20 per cent of the vote, feeding on the 350,000 Italians in the region forced out of Istria and still hoping to recover property. Mr Gianfranco Fini, the movement's leader, has chosen Trieste as one of the seats he is contesting for the chamber of deputies under proportional representation rules.

Politically, the city also set an unusual precedent in municipal elections last December. Mr Riccardo Illy, dubbed "the king of coffee" because of his big family coffee business, was elected mayor without any previous political experience and refuses to draw an official salary.




He beat off a close challenge from the populist Northern League of Mr Umberto Bossi with the support of eight parties from the left and centre. "The big change since the municipal elections has been the appearence of Berlusconi's Forza Italia movement," says Mr Illy.

Forza Italia only appeared here towards the end of February. Already more than 50 Forza Italia supporters' clubs have sprung up in the city and the surrounding region. All this is the result of its enormous resources deployed nationwide.

Indeed, the Trieste operation epitomises tbe way Mr Berlusconi's Fininvest media group has been used to provide a national organisational framework for his political ambitions. The Forza Italia movement in many respects is little more than a political front for Fininvest.

In Trieste Forza Italia's headquarters are almost opposite the Fininvest offices so that personnel can move between the two. Mr Pasquale Maurizio Loria, Forza Italia's Trieste campaign co-ordinator, has taken unpaid leave from being a local Fininvest television network manager.

"You must realise that I am talking under my Forza Italia hat," he insists politely, sitting in the Fininvest offices.

However, his office bustles with election phone calls. Piled on a desk are videos on a dozen different topics of Forza Italia's programme. These videos bear the distinctive insignia of Diakron – the polling and marketing company controlled by Fininvest.

Even Forza Italia's hastily selected main candidate for the chamber, Mrs Antonietta Vascon, a television documentary producer and commentator with no previous political experience, is linked to the Berlusconi empire.

She appears on one of the Fininvest channels discussing Trieste issues.

The Trieste constituency consists of 270,000 voters, split into two chamber seats on the new majority vote system and one for the old proportional representation system, plus one senate seat. Here, as in the rest of northern Italy, Forza Italia is allied with the League and a breakaway faction of the old Christian Democrat party.

The polls suggest this alliance has just more than a third of the vote, slightly ahead of the Progressive Alliance led by the former-communist Party of the Democratic Left (PDS). Much of Forza Italia's strength, however, comes from previous League supporters – in turn defectors from the former Christian Democrats who used to account for a quarter of the vote.

Even though Forza Italia and the League each agreed to field one candidate for the two majority-vote chamber seats, the alliance is not easy.

"It is natural that some of our League vote goes to Forza Italia. We have lost some appeal as a new party," says League candidate Gualberto Niccolini, a well-known local sports journalist. He can afford to be more relaxed as he has the easier of the two seats. The other seat covers a more industrial belt with a strong Slovene presence long cultivated by the left.

Mr Renato Kneipp, the Progressive Alliance candidate in this constituency, is a popular Slovene.

However, the League and Forza Italia are trying to discredit Mr Kneipp by stressing his membership of Reconstructed Communism, the hardline rump of the old Communist party which refused to join the PDS.

"The PDS said it broke with communism and now they are allied with people who still call themselves communist," says Mr Niccolini.

The Triestinos have a tradition of backing parties and candidates that address local issues. Today this means those seen as most capable of pressing for the city's free port and offshore financial status, developing high-tech jobs linked to the prestigious Trieste university and arguing for a voice in the fast changing world on its frontiers.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David G.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl- Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International).
Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd,London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

# Doctors in Sweden fight PM's cure-all

By Hugh Carnegy in Stockholm

Pressures building over two years of reform and spending cuts in Sweden's health service, a central pillar of the country's famous welfare system, have come to a head this month in the form of a rare strike by doctors.

Thousands of non-urgent operations have already been postponed in hospitals around the country because of two successive two-and-a-half day stoppages by surgeons and doctors in a dispute over weekend and night-duty pay rates and the implementation of a new liberal system governing family doctors. With no sign of a breakthrough in negotiations, the Swedish Medical Association, whose 24,000 members represent 95 per cent of the country's doctors, has dug in its heels, calling out 2,600 of its members for a third round of selective strikes next week.

The dispute springs directly from efforts by the right-centre government of the prime minister, Mr Carl Bildt, which came to power in late 1991, to liberalise the monolithic health service and squeeze savings out of a system which until recently put Sweden among the highest spenders on health as a proportion of GNP within the OECD.

The current row revolves around a reform which for the first time gives Swedes the right to choose their individual family doctor and which gives doctors the right to set up private practices independent of the local authorities.

A further change, due to take effect next month, will also allow specialist doctors to set up privately for the first time. Neither step amounts on its own to a splintering of the system. So far fewer than 1,000 doctors have opted to go private, while the majority are apparently content to remain within the governance of the local health authorities.

The reforms are part of a general thrust by the Bildt government to introduce greater competition into the system – a move fiercely resisted by the opposition Social Democratic party, the architect of Sweden's welfare edifice. If Mr Bildt should win the general election in September (which the polls suggest is unlikely) he would like to move on to allowing the establishment of private hospitals in Sweden outside local authority control.

The medical association, ironically, is in principle in favour of greater freedoms for its members. But it is objecting to a proposal that family doctors who are chosen by fewer than 1,000 patients should be fired by the local authorities, regardless of their length of service.

The second dispute is about proposals by the local authorities – who negotiate centrally with the medical association – to cut higher weekend and night-duty pay rates for doctors to compensate for health spending cuts.

According to the association of county councils, overall health service spending has been cut by SKr5bn (£425m) in each of the last two years, bringing annual spending down to SKr116bn, or about 7.5 per cent of GNP, one of the lowest levels in the OECD.

Further cuts this year are set to take up to another 4 per cent out of spending. Up to 25 per cent of surgical beds have been closed and some 30,000 jobs have been cut from the health service workforce, which is now down to around 400,0000, or one tenth of the country's workforce.

Other savings have been achieved through widespread contracting out of services such as catering and laundry. Mr Bildt's government says the changes have made the system more efficient, but doctors appear to be facing surprisingly little public criticism of their strike action, which has not affected emergency services.

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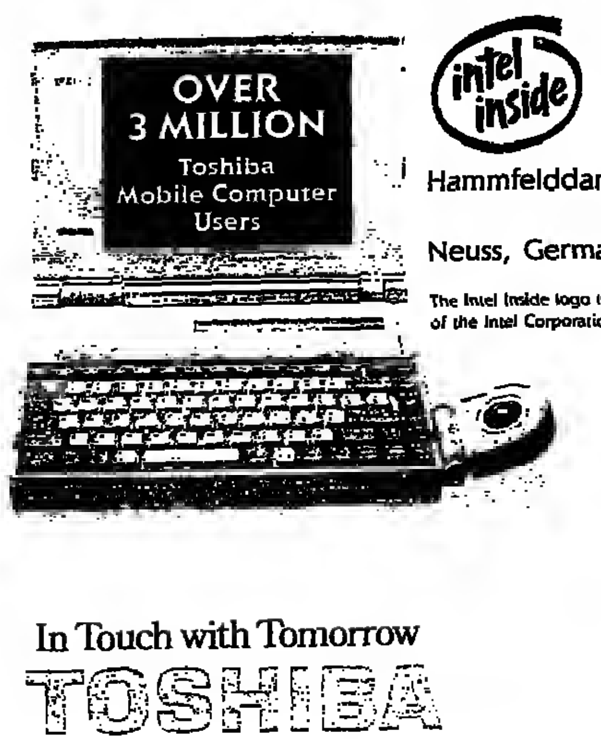


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In Touch with Tomorrow
TOSHIBA

# Brazil may complete debt restructuring without IMF

By Angus Foster in São Paulo

Brazil is actively studying whether to complete its $52bn *commercial debt restructuring* withnut the formal blessing of the International Monetary Fund.

Going ahead without *IMF* approval of a standby lnan would make the restructuring more expensive and aleo deprive *Mr Fernando Henrique* Cardoso, finance minister and potential presidential candidate, of the kudos of IMF backing.

But Mr Cardoso, who was *yesterday due to meet* Citibank, the restructuring's closing agent, in New York, is being urged to finalise the deal rather than risk another extension beyond the April 15 deadline. Bankers fear it may be hard to approve another extension and that the deal would be delayed by October's elections.

According to the deal's timetable, Brazil must give notification by tonight that the April 15 deadline will be met and old *debt swapped for new.* This deadline has already been extended and bankers say it cannot be stretched further.

*Mr* Cardoso had hoped to persuade the IMF to agree a letter of intent for the stand-by loan during meetings on Wednesday. Such a letter would have kick-started the whole deal, and allowed the US Treasury to issue zero-coupon bonds as part of the guarantee for the restructuring.

Brazil is the developing world's largest debtor, and the the nnly one of Latin America's big four debtor countries – *the others being Mexico,* Venezuela and Argentina – not to have completed a Brady-style fnreign bank debt deal.

*Although the IMF was* supportive of Mr Cardoso, it did not commit itself to granting the stand-by. It is thought to have insisted that Brazil run a budget surplus this year, but Brazil was only prepared to offer a balanced budget. The IMF has also grown wary of Brazil, which has signed but *failed* to deliver on eight letters of intent and two standby agreements in 12 years.

For the deal to go ahead, the banks need to agree a waiver of the restructuring's original requirement for IMF backing. Leading banks met yesterday morning to discuss a waiver, which one banker described as "do-able".

Brazil also needs to provide an acceptable guarantee in place of the US Treasury's issu*ance of zero coupon bonds.* According to some reports, it has been accumulating bonds through market purchases, although whether *enough* bonds are available in the market is unclear.

Mr Cardoso had planned to spend a quiet weekend in New York with his wife and decide whether to resign and run for president. Instead, he finds himsalf up against an extremely tight deadline on the *bank deal.* Under Brazilian law he has to resign by April 2 to contest the presidency.

Success for his domestic *reforms, mainly designed* to tackle annual inflation of about 2,500 per cent, is seen as more important for his presidential ambitions. Bnt Mr Cardoso, a former academic who is well known in Washington, also wanted the IMF letter and a smooth conclusion to the bank deal. According to finance ministry officials, he will now use the IMF's positive comments as "the best possible endorsement" given thet the economic reform programme is still unproved.

Vote sets a precedent as 28 states seek new ways to finance education

# Michigan raises sales tax to pay for schools

By Jurek Martin in Washington

The voters of Michigan this week set a precedent with revolutionary implications fnr state finances and education. They easily approved a ballot motion sharply increasing the local sales tax as a means of paying for the state'e schools budget, traditionally underwritten by property taxes.

The Michigan measure, promoted by Mr John Engler, the Republican governnr, would *generate an additional* $2.1bn (£1.43bn) in revenues by raising to 6 per cent from 4 per cent the state sales tax and by *tripling the local tax* on *cigarettes* to 75 cents a pack. This sum, specifically earmarked for education, more than covers a planned $1.9bn cut in property taxes.

It would permit the state to increase by about 6 per cent to $10.2bn the Michigan education budget, under such eevere strain recently that one school district last year closed 10 weeks early because its resources had been exhausted.

Under the governor's plan, the state will also try to equal*ise the large gap* in *spending* between rich and poor school districts by providing each district with a guaranteed mini*mum sum* per *student and by* limiting spending increases by the wealthier districts.

This discrepancy, less severe in Michigan than in most other states, is widely seen as one of the most inequitable factors in American education because it perpetuates the disadvantages of society's underclasses.

The increase in the sales tax is not considered an ideal solntion, since revenues may vary according to the health of the economy.

But it was reckoned preferable *to* a *further squeeze* on property taxpayers, in widespread revolt over the last 15 years since the passage of the *tax-cutting* Proposition *13* in California, or to the politically explosive alternative of higher state income taxes.

Tax-cutting at state level has come back into vogue across the country, especially now that the economic recovery has removed some of the constraints nn state budgets. Mrs Christine Todd Whitman, the new governor of New Jersey, has just secured approval for a 5 per cent cut in income taxes, the first instalment, she promises, on a multi-year 30 per cent tax reduction.

Even in California, still in a recession, Governor Pete Wilson, up for re-election this year *like* Governor *Engler, has* found fiscal room to propose a modest $135m tax cut, mostly directed at the lower end of the income scale.

All told, according to yesterday's New York Times, 28 states are in various stages of public and legal debate about new ways to finance education and nearly 20 have active tax-shifting proposals under consideration, mostly designed to relieve property taxpayers.

According to one independent study, the recessIon forced the states to increase local taxes by a net $9.2bn in 1990 and $14.4bn in 1991 to maintain essential services. The *respective increases* for the last two years were $1.4bn and $1.1bn. This year could see net cuts of around $3bn.

The Clinton administration will not be displeased by the 70 per cent margin by which Michigan voters spproved higher taxes on cigarettes. Its proposal for an even steeper increase in the federal excise tax on tobacco products, part of its healthcare reform plans, is being vigorously fought by the industry. Several states, most recently New York and Maryland, have approved swingeing measures restricting smoking in public *buildings.*

John Engler: promoted Michigan measure Camera Press

SOMEONE INFLUENCES MODERN DUTCH PAINTING MORE THAN REMBRANDT, VAN GOGH AND MONDRIAN PUT TOGETHER.

A new school of thought is sweeping through modern Dutch painting. Its influence can be seen in a change of technique from the most inept of handymen to the skilled master. What's more the whole movement now has the backing of the Dutch government.

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opened in early 1993 and is the only one of its kind in Europe. At present, it handles 24,000 tonnes of paint waste a year – 40% industrial waste, and the rest household or municipal.

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During a year, we can expect to recover around 15,000 tonnes of fuel. In equivalent terms, that's enough power for around 3,000 homes. As recycling facilities go, the Moerdijk paint waste plant is state of the art. But, then again, the Dutch have always known how to handle their paint.

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# Occidental escapes clean-up damages

By Richard Waters in New York

One of the US's longest-running and most notorious environmental clean-up cases passed a milestone yesterday as a judge threw out a $250m (£171.2m) suit for punitive *damages against Los Angeles*-based Occidental Petroleum.

The case, brought by New York state over contamination at the Love Canal site in Niagara, marked the first attempt by a US state to win punitive damages in a clean-up case. If snccessful, it could have prompted other US states to take a more aggressive approach in such cases.

Occidental has already been found liable for clean-up costs of $325m at the site.

The Lova Canal case dates back to the 1940s, when Hooker Chemical, later acquired by Occidental, dumped chemical waste in a disused canal on a site it owned near Niagara. The site was sold in 1953 to a local authority, which built a school on it. Chemical contamination began to affect the school and surrounding housing in the 1970s, leading eventually to the displacement of 2,500 local residents.

A judge ruled yesterday that the prosecution had failed to prova Hooker had shown "reckless disregard for the safety of others", although the company "should have made greater efforts to keap local residents off the property".

# 'The meeting is the message' at Apec forum

**George Graham** on the meeting in Hawaii of 17 Asia-Pacific countries

In the last two months, the US has backed itself into a series of conflicts with almost half its fellow members in the Asia Pacific Economic Co-operation forum.

*Besides its long-running* battle to open Japan's markets, President Bill Clinton's administration has fended with *Indonesia* on *human rights,* with Thailand on access to financial services markets and with Singapore on the island *state's decision* to *cane* a *US* teenager for vandalism.

Most ominous of all, after the failure of a mission last week to *Beijing by Mr* Warren Christopher, the US secretary of state, is an impending clash with China over the human rights improvements Mr Clinton is demanding as a condition for renewing China's most favoured nation trade privileges.

Little of that, however, will surface this avening and tomorrow when finance ministers from the 17 Apec countries meet on the Hawaiian island of O'ahu.

"The meeting is the message," said finance ministry officials from three differant Apec countries, in unison.

Even US Treasury secretary Lloyd Bentsen's expected bilateral meetings with his Japanese and Chinese counterparts are unlikely to touch on the trade sores between them.

The meeting is the first to take place between Apec finance ministers, and marks another step forward, after a ground-breaking leaders' summit in Seattle last November, for the fledgling organisation.

Some member countries hold out great hopes of an Apec evolving gradually from "four *adjectives in search of a noun*", as an Australian minister described it, into the "new Pacific community" enunciated by *Mr* Clinton.

Even the most enthusiastic Apec supporters, however, acknowledge that progress towards snch a goal, not shared by all, will be slow.

Apec offers considerable advantages as a forum bringing together nations from both sides of the Pacific. It is, for example, one of the rare places in which tha US and China get away from their usual human rights/MFN dialogue. Even more unusual, it includes not only China but Hong Kong and Taiwan.

But its members have wide *differences of culture,* economic development and democratisation, and some members, notably Malaysia, remain sus*picious that the US's enthusi*asm for Apec may disguise a spoiling operation designed to undercut the six-member Association of South-east Asian Nations and Malaysia's ides for an East Asian Economic Caucus, excluding Apec members such as the US, Canada, Australia and New Zealand.

Malaysia, whose prime minister, Dr Mahathir Mohamad, boycotted the Seattle meeting, will participate in full at the finance ministers' meeting, with a delegation led by Mr Anwar Ibrahim, the deputy prime minister and finance minister. Dr Mahathir is also expected to attend the second Apec leaders' summit in Jakarta this autumn.

The meeting in Hawaii this weekend is expected to run through the econnmic prospects for the region, which continues to show the most dynamic growth in the world, but to stop well short of *the* sort of economic policy co-ordination attempted by the Group of Seven leading indnstrial *nations.*

Finance ministers will examine topics euch as ways of facilitating external financial flows for infrastructure needs and developing capital markets in the region.

Besidas the US, Apec includes Australia, Brunei, Canada, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, *Mexico,* New Zealand, Papua New Guinea, the Philippines, Taiwan and Thailand. Chile is to be admitted at the *meeting* in *Jakarta.*

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# Peres calls for settlers' evacuation

By David Horovitz in Jerusalem

As new evidence emerged in Jerusalem that Jewish settler Baruch Goldstein may have been aided by a second settler in carrying out last month's Hebron massacre, Israel's Foreign Minister Shimon Peres yesterday added his voice to the growing chorus of Israeli ministers calling for the evacuation of all Jewish settlers from Hebron.

With the Palestine Liberation Organisation demanding protection from radical settlers as a precondition for returning to Middle East peace talks, Israel's Prime Minister Yitzhak Rabin also indicated for the first time that he might be coming round to the idea of removing the Hebron settlers.

Well over half the ministers in Mr Rabin's cabinet have publicly backed the evacuation of the settlers from their three small enclaves in the centre of the city – a move that would go some way towards meeting PLO demands for protection.

Three weeks after the massacre of at least 30 Palestinians inside Hebron's Cave of the Patriarchs, and with the Middle East peace process disintegrating, Mr Peres yesterday threw his weight behind the call, declaring the Hebron settlers were a continual cause of friction and a grave security problem.

While outnumbered at the cabinet table, Mr Rabin has consistently refused to consider removing the Hebron settlers. But interviewed in Rome yesterday, after the first ever meeting between an Israeli prime minister and the Pope, Mr Rabin launched a fierce attack on settlers and recalled that, during his first term as Israeli premier in the 1970s, he had prevented Jews moving into Hebron, "because I knew what the result would be".

In Jerusalem, meanwhile, the Israeli judicial commission investigating the massacre heard testimony from soldiers who were on duty at the Cave of the Patriarchs on the morning of the killings that Goldstein, an American-immigrant settler, had not carried out the massacre alone.

Flatly contradicting the army's previous version of events, three soldiers testified that Goldstein entered the mosque carrying an M-16 rifle and that, five minutes later, a second settler entered, carrying a Galil rifle. Army ballistics experts have reported that all 110 bullets fired inside the mosque came from one Galil rifle. The new testimony throws open the question of whether Goldstein, who was beaten to death by worshippers inside the mosque, was even the main perpetrator of the massacre.

Some witnesses interviewed immediately after the killings spoke of at least two men firing, others of a settler throwing Goldstein fresh magazines to reload his gun.

One soldier, Sgt Kobi Yosef, also admitted to the inquiry yesterday that he fired two shots inside the tomb, but insisted they were fired into the air. "I thought at first an Arab was shooting," he said. The army had previously insisted, in contrast to witness' claims, that no soldiers opened fire inside the building.

Sgt Yosef also admitted closing the nearest exit from the mosque, preventing Palestinians from fleeing and forcing them to a more distant door.

A Palestinian restrains her son at their Hebron home as Israeli soldiers patrol near the Jewish settlement of Bet Hadassah. Reuter

# Tunisians go to the polls tightly muzzled

Tunisians go to the polls on Sunday to elect a new president and parliament. Whatever the turnout, the result is a foregone conclusion.

President Zine El Abidine Ben Ali is the sole candidate for the post he has occupied since replacing an ailing Mr Habib Bourguiba in November 1987, while the Democratic Constitutional party (RCD), which has held a monopoly of seats in the national assembly since independence nearly 40 years ago, is assured of a massive majority.

A more liberal electoral law allows proportional representation in 19 new seats added to the existing 144 winner-takes-all seats. This will ensure opposition parties a few political crumbs.

The one party that might have provided serious opposition, the Islamic Al Nahda (Renaissance) party, is banned. Many of the party's supporters have fled into exile. Mr Rashid Ghannoushi, its leader, was granted political asylum in the UK last summer.

Supporters of Al Nahda in Tunisia and their families have faced a systematic campaign of intimidation by the security forces.

Many remain in prison and, according to the human rights organisation Amnesty International, some have "disappeared" while others have been ill-treated, sometimes tortured. In a report last January Amnesty wrote that "by perpetually denying, in the face of compelling evidence, that torture occurs and by failing to take action against it, the government has in effect encouraged the continuation of a practice it professes to abhor".

It added that "Tunisia's growing mastery in deploying the vocabulary and diplomacy of human rights abroad serves to mask a practice of serious and systematic human rights violations at home".

These are harsh words, but senior western diplomats do not dispute them, at least in private. They point to what they see as the widening of the circle of repression to include the arrest of Mr Hamma Hammami, the leader of the illegal Tunisian Communist Workers' party (PCOT), on February 14, and to the failed attempt by the former president of the Tunisian League of Human Rights, Dr Moncef Marzouki, to stand against Mr Ben Ali. The constitution demands that candidates find 30 deputies or mayors to endorse them. As virtually all such people belong to the RCD, Dr Marzouki failed.

Meanwhile, censorship of the media remains tight.

Two weeks ago Mr Robert Pelletreau, US assistant secretary of state for near-Eastern affairs, told the House foreign affairs committee: "Tunisia's economic development is the achievement of a well educated and hard working population with a vigorous middle class. This is a principle strength of Tunisian society. Tunisia's people deserve an equal measure of political freedom and pluralism, and we believe it should be possible to handle challenges from the extremes even in this volatile part of the world without compromising these principals."

**Francis Ghilès on an election that is a foregone conclusion but might prove a two-edged sword for the winners**

He went on to argue that Tunisia's political system would "benefit from greater openness", a view shared by "many Tunisians from within and outside the government".

Tunisian officials point to the incipient guerrilla war in neighbouring Algeria which, they argue, poses a big threat to their country's hard-won economic prosperity. It is not easy, they say, to be sandwiched between Algeria and the maverick Libyan leader, Colonel Muammer Gadaffi.

Such concerns are genuine and are shared by most of Tunisia's 8m people. But they do not answer the question of how, in the longer run, the regime hopes to win the battle of ideas against proponents of radical Islam.

Avoiding the extremes of poverty and wealth, and ensuring relative economic prosperity, are two keys to this battle. Economic growth has in recent years been impressive – 8.1 per cent in 1992, 2.5 per cent last year and it is forecast to reach 6 per cent this year; inflation was halved between 1991 and 1993 to 4 per cent; and a steady flow of foreign investment has followed liberalisation of the economy. The first-ever private placement for Tunisia, a Y30bn (£191.1m) Samurai bond arranged last month, underlined the confidence of international bankers in the future of North Africa's smallest state.

But even sympathetic observers say it bodes ill for the future if the very professional people and intellectuals, on whose ideas the regime relies to ensure Tunisia's continued progress, know they are being closely monitored by the security forces. Few people in Tunis believe that Dr Marzouki, had he been allowed to run against Mr Ben Ali, would have constituted a real threat to the president's re-election. But such a campaign might have produced an interesting trial run for future elections. In that sense an opportunity has been missed, they say.

Approval of the well managed economy and fear of radical Islam has made many western politicians and diplomats hesitate to air their criticisms in public. If however, in the months ahead, the Algerian Islamic Salvation Front either comes to power or ends up sharing it with the Algerian army, then Tunisia could be in for a rude awakening.

Its leaders have voiced their fear of radical Islam for so long that they have convinced many Europeans that Tunisia could be the next domino to fall. This is disputed by many seasoned observers of Tunisia. They fear that the suppression of public debate on a wide range of topics and the muzzling of associations not directly sponsored by the government have deprived the president of safety valves. Were his policies ever to be seriously contested, Mr Ben Ali would be in the direct line of fire.

# Buthelezi warns of a 'liberation war'

By Patti Waldmeir in Ulundi, KwaZulu

A liberation war lies ahead if the South African government crushes opposition to April's all-race elections, Chief Mangosuthu Buthelezi, leader of the Zulu-based Inkatha Freedom party, warned yesterday.

Inkatha seemed almost certain to act on its threat to boycott the poll, after Chief Buthelezi took a hard line on participation in a speech to the legislative assembly of the KwaZulu homeland which he heads, and after last-ditch talks planned for today between the Zulu King Goodwill Zwelethini and African National Congress leader Nelson Mandela were called off.

The meeting, to have taken place at Ulundi, the KwaZulu capital, was "postponed indefinitely" after the ANC said it believed Inkatha members planned to assassinate Mr Mandela. They insisted the venue be changed after learning that thousands of heavily-armed Zulus were expected to attend, but Inkatha refused. The ANC had counted on a private meeting between the two men, but Chief Buthelezi yesterday urged the king's supporters to attend.

Chief Buthelezi said the king would meet his subjects at Ulundi later today, to inform them whether or not they should be preparing for elections in six weeks' time. The chief implied King Goodwill would use that opportunity to call for a boycott.

If he does so, it will be the first time the Zulu monarch has issued such an instruction, and will dash remaining hopes on the part of the government and the ANC that they could make a separate peace with the king to support elections publicly, despite Inkatha's planned boycott. The king said there would be "rolling Zulu mass action" unless his demands for Zulu sovereignty were met.

Chief Buthelezi yesterday accused the government and the ANC of trying to overthrow his government. "Agitators attempting to destabilise the KwaZulu government are trying to use the same tactics adopted against the government of Bophuthatswana," he said. The government was ousted there last week through a combination of civil servants' strike, popular protest, security force mutiny and the intervention of South African troops.

If troops were sent into KwaZulu, the chief said, this would "spawn a struggle for liberation from ANC/National Party oppression with no parallel in Africa". He warned of the "highly explosive situation in KwaZulu", with tension likely to rise further when the Independent Electoral Commission acts, probably within a fortnight, to ensure political parties can campaign freely in the homeland, and polling stations can be erected there.


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# Japan consumers spend less

By William Dawkins in Tokyo

Japan's difficulties in reviving flagging consumer demand were underlined yesterday by the first annual decline in household spending for 12 years.

Japanese households spent on average 0.6 per cent less in real terms last year than in 1992, but set aside their spare cash for repaying debts rather than saving, the government's management and co-ordination agency said.

They spent less on food and clothes, reflecting the austerity imposed by the recession as well as a switch away from the conspicuous consumption of the late 1980s. By contrast, spending on cars, medicine and utility bills rose.

Two signs that Japan might be near the trough of its downturn emerged yesterday with a slowdown in the pace of corporate profits decline and a slight recovery in money supply. Average pre-tax profits fell 6.2 per cent in the final three months of last year, compared with the same period of 1992, the Finance Ministry announced.

That makes a record 14 quarters of decline, but the decline was far less bad than the 21.6 per cent fall in the previous quarter, from July to September. The pace of decline in turnover has also slowed, to 1.4 per cent.

Japan's money supply yesterday reversed a four-month slide, indicating that the government's economic stimulus packages might be starting to have some effect.

The broad measure of M2 and certificates of deposit, watched by the Bank of Japan in setting monetary policy, rose 1.6 per cent last month, from February 1993, continuing a revised 1.6 per cent rise in January.

Money supply had fallen steadily from September to the end of last year.

One worrying sign was a record 16.8 per cent decline in capital investment in the final quarter, a reflection of Japan's high real long-term interest rates and companies' general reluctance to add capacity.

The recent rise in long-term bond yields yesterday led to a rise in an important government lending rate, likely to feed through to a rise in state-backed mortgage payments and government loan costs for small businesses.

The Finance Ministry increased by 0.65 percentage points to 4.3 per cent its so-called "zaito" rate for lending post-office savings to other government institutions, the first rise since last June.

# Mahathir at last gets Sabah to bow to Kuala Lumpur

## Kieran Cooke on the struggle for control of a Borneo state

Sabah prides itself on being exotic. The East Malaysia state on the island of Borneo called "The land beneath the wind" by the early explorers, is home to the Rafflesia, one of the world's largest flowers.

Sabah's Mount Kinabalu is south-east Asia's highest mountain – an outcrop said to be home to spirits who have to be appeased by the yearly slaughter of a dozen white chickens. Orang-utans, once adopted as domestic pets, are taught the ways of the jungle at the state's special animal rehabilitation centre.


Then, for the really exotic, there is Sabah politics.

For years Sabah, the former British north Borneo, was run like a private fiefdom by local politicians who plundered the state's vast timber reserves to accumulate fortunes.

One chief minister kept luxury cars in several European capitals and thought nothing of having his favourite violin flown to his holiday home in London in a specially chartered aircraft.

Yesterday Malaysia's ruling National Front coalition led by Dr Mahathir Mohamad, the prime minister, finally won control of the local assembly in Sabah. Now only one state in the Malaysian federation – the Moslem fundamentalist ruled state of Kelantan – is not part of the National Front.

Dr Mahathir has had a tough fight taming Sabah. The locally constituted Sabah Unity Party (PBS) had ruled the state for nine years. Sabah's 1.8m people are a mixture of races and religions: the PBS, while dominated by local Kadazan tribal Christian groups, prided itself on being a multi-racial and multi-religious party, with a following among Moslem, Chinese and other communities.

On the eve of Malaysia's last general elections in 1990, Mr Joseph Pairin Kitingan, the leader of the PBS, took his party out of the National Front. Dr Mahathir was enraged, saying Mr Pairin had "stabbed the National Front in the back". The prime minister vowed to bring Sabah back under National Front control and rid the state of Mr Pairin.

Local elections last month were a bitterly fought affair. "The PBS accused Dr Mahathir's government of withholding much needed development funds from the state. Mr Pairin said the National Front was buying votes to the extent that it was "dropping money out of helicopters".

Dr Mahathir said that Mr Pairin and the PBS had held up Sabah's economic development. Only when the National Front gained control would the state be able to progress like the rest of Malaysia.

The PBS achieved a narrow victory, winning 25 seats in Sabah's 48-seat national assembly.

Sabah's politicians hop from one party to another like frogs at a fireworks display. In the days after the election Mr Pairin said millions of dollars were being offered to PBS assembly members to defect to the National Front. With PBS's majority in danger Mr Pairin applied to the state's governor to dissolve the assembly and hold new elections.

In what was rapidly descending into political farce, Mr Pairin said the governor first agreed, then disagreed, with his request. Meanwhile PBS members were hopping away – some to the National Front, others to form their own political parties.

Among them was Mr Jeffrey Kitingan, a younger brother of Mr Pairin. Mr Jeffrey Kitingan, elected to a PBS seat in the recent election, was released from detention late last year after being held for three years on suspicion of wanting to take Sabah out of the Malaysian federation.

But now the younger Kitingan is on good terms with Dr Mahathir and says his new party, so far a one-man show, will join the National Front.

As a result of the PBS defections and the formation of various splinter parties, the National Front was yesterday able to declare itself the party of power in Sabah.

"It is a sad decision for me but I truly feel this is the most honourable thing to do under the present circumstances," said Mr Pairin, resigning as chief minister.

Politics in peninsular Malaysia is divided on religious and racial lines, with the majority Malay Moslems, the Chinese and the Indians all having their own political parties. Sabah has had a different tradition: critics of Dr Mahathir say that the peninsula's racially divisive politics will now be imported into Sabah and could create tensions.

But the National Front is likely to bring plenty of money to the state. Businessmen once fearful of investing in Sabah for fear of upsetting Dr Mahathir are now likely to flood in. There is already talk that a ban on the export of logs imposed by the PBS to preserve the state's dwindling timber reserves will be lifted.

Having finally tamed Sabah, the National Front is unlikely to loosen its grip. Perhaps "The land beneath the wind" will not be quite so exotic any more.

# Moscow fights for Kazakh oil share

By Steve LeVine in Alma Ata

Russia has increased the pressure on Kazakhstan and its western partners to give Moscow a stake in two of the largest energy projects in the former Soviet Union.

The Russian targets are the Tengiz oil field being developed by Chevron of the US and the $6bn (£4.1bn) Karachaganak gas development being negotiated by British Gas and Agip of Italy.

"The Russians want an equity share [of the Chevron project] and they're going to squeeze till they get it," said a western diplomat in Alma Ata, the Kazakh capital.

Moscow argues it has "an inherent proprietary interest" in natural resources discovered during the Soviet period, says Mr Ben Miller, director of the consultancy firm Ernst & Young in Alma Ata. This applies to Tengiz, where Chevron plans gradually to expand production from 67,000 barrels a day to 700,000 b/d by 2010.

But Russia has restricted exports to just over 20,000 b/d, claiming the presence of the corrosive contaminant mercaptan makes larger shipments unacceptable. The two sides have also failed to agree over the route of a new pipeline to carry the increased volume of exports.

Western diplomats say Mr Yuri Shafrannik, the Russian energy minister, has made it clear that Russia also wants a share of Karachaganak, located in northern Kazakhstan near the Russian border.

They say British Gas and Agip would probably have to reduce their prospective shareholdings to accommodate a Russian stake. This would be a departure from a precedent set in neighbouring Azerbaijan, where Russian political pressure recently caused the Baku government to accept a dilution of its stake in a consortium being led by British Petroleum to accommodate the Russian integrated oil company, Lukoil.

A Kazakh official said it might offer a 3-4 per cent equity stake to Transneft, a Russian state-owned pipeline operator. But several western oil executives in Alma Ata said the final stake was likely to be closer to 10 per cent.

The prospect is making some western executives nervous. "We've already got so many problems that if Russia does get these shares it's going to scare a lot of people," said one.

Lewis Preston listening to reporters' questions in Manila yesterday Reuter

# WORLD BANK EASES DEADLINE

The World Bank has extended to June 30 the deadline for the Philippines to comply with terms attached to the second and last tranche of an economic integration loan (EIL), Mr Callisto Madavo, World Bank director for the East Asia and Pacific region, said yesterday, AP-DJ reports from Manila.

Mr Madavo said the bank had to move back the original December 1993 deadline to give the government more time to meet the remaining conditions attached to the EIL, notably liberalised import of used trucks and buses and the easing of restrictions on farm imports, specifically maize.

Local officials are still trying to amend existing rules to be able to avail the Philippines of the $200m (£136.9m) left in the EIL.

During the same news conference, Mr Lewis Preston, World Bank president, asked the government to address business concerns about the deterioration of the country's education system and the poor state of local infrastructure.

He said, however, that despite these factors, the World Bank was still convinced the Philippines would succeed in carrying out its economic plans and that the bank "will continue to give strong support to the Philippina government on its development efforts".

## NEWS IN BRIEF

# Egyptian army officers executed

Egypt executed two army officers yesterday for plotting to kill President Hosni Mubarak and sentenced nine Moslem militants to hang for trying to kill Prime Minister Atef Sedki, Reuter reports from Cairo. The militants, held in cages in the court, exploded with rage at their sentences, chanting: "We will go to paradise, Mubarak, and you will burn in hell. We will kill you. Death is coming to you, Mubarak."

An army firing squad in Alexandria executed the two army officers. They were convicted in a secret trial last month for planting explosives at an airstrip near the Libyan border which was to be used by Mr Mubarak. A third officer sentenced to death is on the run. The three have been hailed as heroes by Gama'a al-Islamiya, which is fighting to replace the Egyptian government with a strict Islamic state.

Infiltration of the armed forces by Moslem militants is one of the Egyptian government's worst nightmares. It was such a group, led by army Lt Khaled al-Islambouli, which murdered President Anwar Sadat at a military parade in 1981.

# DuPont opens in Vietnam

US chemicals company DuPont opened an office in Ho Chi Minh City yesterday and said Vietnam would be a focal point for its efforts to quadruple sales in the region by the turn of the *century, Reuter reports from Hanoi. It was one of the first US* companies to open shop since President Bill Clinton lifted a 30-year economic embargo against Vietnam on February 3.

Mr David Pang, vice-president Asia Pacific, said DuPont saw the region as its most significant growth area and intended to develop manufacturing, marketing and technical operations and form strategic alliances. It was looking to quadruple its sales in the region to $10bn (£6.7bn) by 2000 and move it from 7 to 20 per cent of global sales, be said.

# N Korea under pressure

A senior US official said yesterday North Korea could still forestall a move toward international sanctions if it kept its promise to allow inspection of nuclear sites. He urged Pyongyang to act quickly, Reuter reports from Washington.

Mr Winston Lord, assistant secretary of state, told Congress that US high-level talks with Nortb Korea scheduled for Monday had been cancelled and the suspension of Team Spirit military exercises with South Korea was being reconsidered.

The International Atomic Energy Agency's board of directors is to meet on Monday to decide what to do about Pyongyang's interference with the inspection team that returned this week from North Korea. If there is no move by Pyongyang to satisfy the IAEA, the board is expected to refer the matter to the United Nations Security Council, which could impose sanctions.

# Sudan peace talks held

Sudan's government and rebels met in Nairobi yesterday at the start of a fresh initiative to try to end almost 11 years of civil war, Reuter reports from Nairobi.

The presidents of Kenya, Uganda and Ethiopia and the foreign minister of Eritrea – co-sponsors of the peace initiative – first held a closed-door meeting at Kenya's State House with Lt Gen Omar Hassan al-Bashir, tha Sudanese leader. Gen Bashir left State House without speaking to reporters and flew back to Khartoum. He did not meet the rebel leaders present in Nairobi.

# Boost for NZ debt rating

Moody's Investors Service has upgraded New Zealand's foreign currency debt rating to AA2 from AA3, Reuter reports from New York. About US$7.8bn (£5.2bn) of long-term debt is affected.

Not only had New Zealand's foreign currency debt/exports ratio been declining rapidly, but this ratio was expected to continue falling over the next several years, Moody's said. It also expected Naw Zealand's current account and government budget deficit to move into surplus.

It seemed almost certain that important political realignments would occur within New Zealand as a result of the adoption of a "mixed member proportional" alectoral system (MMP), but these should continue to reflect the underlying support for the overall reform process.

● New Zealand should hold a referendum on abandoning the British crown as head of state, Prime Minister Jim Bolger said in Blenheim yesterday, AP reports. He wants the country to become a republic by the year 2000.

Emirates has been voted Airline of the Year 1994.
(It was hardly a one horse race)

ACES (Aerolineas Centrales de Colombia)
Action Airlines
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Aero California
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Aero Costa Rica Acon
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Aerolineas Argentinas
Aerolineas Dominicanas
Aeromexico (Aerovias de Mexico)
Aeromonterrey
Aeropelican Air Services
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Aerosur
Aerotransportes Mas de Carga
African West Air
Aigle Azur
Air Afrique
Air Algerie (Compagnie Nationale de Transports)
Air Alliance
Air Alma
Air Alpha
Air Aruba
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Air Atlantique
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Ariana Afghan Airlines
Aires Del Sur
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Arizona Pacific Airlines
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Asiana Airlines
Athabaska Airways
ATI-Aero Transporti Italiani
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Atlantic Airways, Faroe Islands
Atlantic Coast Airlines
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Augusta Airways
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Berliner Spezial Flug
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Biman Bangladesh Airlines
Blackhawk Airways
Bonair
Bouraq Indonesia Airlines
Braathens S.A.F.E. Airtransport
Branson Airlines
Brasil Central Linha Aerea Regional
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British International Helicopters
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China General Aviation Corporation
China Northern Airlines
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China Southwest Airlines
China Xinhua Airlines
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Coastal Air Transport
Coast to Coast Airlines
Colgan Air
Columbia Pacific Airlines
Comair
Commercial Airways
Compagnie Aerienne Corse Mediterranee
Compagnie Aeronautique Europeenne
Compania de Aviacion Faucett
Condor Flugdienst
Connector Charters
Conquest Airlines
Contact Air
Conti-Flug
Continental Airlines
Continental Micronesia Inc.
COPA (Compania Panamena de Aviacion)
Corporate Airlines
Canberra
Country Connection Airlines
Crane Air
Croatia Airlines
Crossair
Crown Airways
CUBANA
Cyprus Airways
Cyprus Turkish Airlines
Czechoslovak Airlines
Daallo Airlines
Danair
Delta Air Lines
Deutsche BA Luftfahrtgesellschaft
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Dorado Air
Dragonair
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East West Airlines (Ind.)
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Luchtvaart Maatschappij Twente
Lufthansa German Airlines
Luxair
Maersk Air
Makung Airlines
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Mali Tinbouctou Air Service
Malmo Aviation/City Air Scandanavia
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# Moves to speed up WTO negotiations

By Frances Williams in Geneva

Trade negotiators in Geneva yesterday reached broad agreement on two important procedural decisions to be taken by ministers next month in Marrakesh when they meet to sign the Uruguay Round trade liberalisation accords.

The first aims to speed up negotiations with countries which, for one reason or another, will not automatically qualify for membership of the World Trade Organisation, the powerful new world trade body that will supersede the General Agreement on Tariffs and Trade next year.

The draft decision would allow negotiations on WTO membership to start immediately after the Marrakesh meeting, without waiting for the organisation to be established.

Countries affected fall into four categories: China and Algeria, which participated fully in the round but are still negotiating Gatt membership; some less developed nations which have not yet submitted tariff and services schedules; some Gatt members which joined too late to take a full part in the round; and countries joining Gatt after the Marrakesh signings but before the WTO comes into force, probably next January.

The second draft decision establishes a WTO preparatory committee with widely-drawn terms of reference to bridge tha transition between the Marrakesh meeting and the WTO's entry into force.

The committee, open to all countries eligible to be WTO founder members, would handle administrative, financial and procedural matters relating to the future WTO, including accessions.

It would also draft terms of reference for WTO subsidiary bodies and launch the work programme already agreed in the Uruguay Round, for instance, on some aspects of trade in services, and the links between trade and the environment.

Still to be decided, and highly controversial, is whether the preparatory committee is able to discuss other suggestions for future work by the WTO.

The US and some European countries want worker rights to go on the WTO agenda, but this is vigorously opposed by many developing nations.

# Rivals link up to win ship order

By John Burton in Seoul

Mitsubishi Heavy Industries of Japan and Samsung Heavy Industries of South Korea, in a rare show of co-operation for the shipbuilding industry, have received a joint order for six large container ships from Hong Kong's Orient Overseas Container Line.

According to Samsung, it is the first time rival shipbuilders from Japan and South Korea have formed a consortium to bid for an order.

Mitsubishi will construct four of the ships and Samsung two. The vessels are for delivery in late 1995 and early 1996.

## House-Senate conference set to seek compromise after Republican filibuster

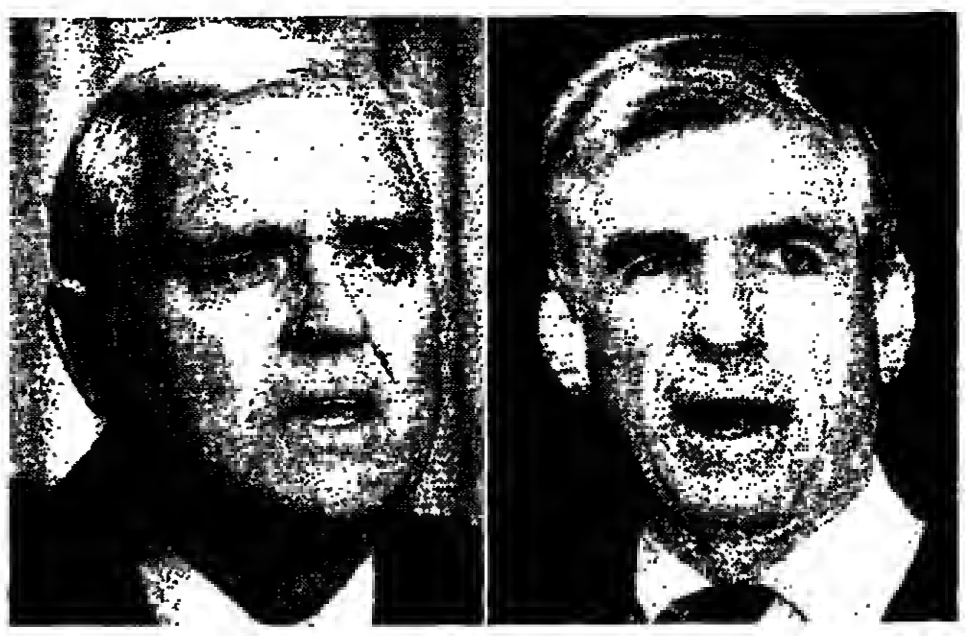
# US technology aid bill blocked

By Nancy Dunne in Washington

Controversial US legislation to speed the development of new manufacturing technologies and an "information superhighway" looked set yesterday to be sent to a House-Senate conference for a compromise to be thrashed out.

A week-long Republican filibuster in the Senate forced Democrats to slash funding for the measure from \$2.8bn to \$1.9bn (£1.3bn).

Democratic Senator Ernest Hollings, chairman of the Senate commerce committee, said the legislation would help US companies face serious long-term global competition in technology. "It allows the government, our universities and our industries to work together in a partnership to support research for small and medium-sized manufacturers and technology firms," he said.



Camera Press/Associated Press

Proponent and opponent of the measure: Senator Ernest Hollings (left) and Senator John Danforth

The legislation expands a smaller initiative approved during the Bush administration. It would also:

- raise from 7 to 14 the number of manufacturing technology centres where government and universities provide technical advice to businesses, and add a number of small centres.
- provide \$451m for the advanced technology programme, a scheme which provides research grants to businesses developing technologies of broad economic value.
- upgrade the government's high-performance computing and networking programme for the creation of a national information infrastructure.
- direct government agencies to work with computer companies and users to research advanced applications for education, healthcare, manufacturing and information.
- authorise a pilot programme to stimulate investment in technology companies.

Although US business groups have long sought government financing for generic technologies, many Republicans oppose such measures on the grounds that they constitute an "industrial policy" giving the power "to pick winners and losers".

The leading opponent, Senator John Danforth, a Missouri Republican, used the filibuster to demand that the Clinton administration reopen negotiations in the Uruguay Round on a subsidies agreement pact which legitimised but also limited research and development aid.

He is proposing instead of subsidies a permanent research and development tax credit.

Congressional Democrats said privately that Republicans were trying to deny a victory to President Bill Clinton, who strongly supports such technology development programmes.

"They didn't want the money to get to the Commerce Department for use as a slush fund to buy the 1996 election," said one congressional Democrat. Particularly they do not want it to go to the energetic Mr Ron Brown, the commerce secretary and former chairman of the Democratic party, who is gaining many adherents in the business community.

While the legislation increases government aid to industry, it is still less than 2 per cent of the \$70bn the US spends on research and development. About \$40bn of that goes to the military.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# Uproar forces Brussels switch on silk quota

By Rachel Johnson

The European Commission has demonstrated its misjudgement of the scale of European textiles trade with China by changing its quota system governing silk imports only days after it came into force.

On Monday a new European Union-wide quota of 20,000 tonnes for Chinese silk, linen and rami was imposed, provoking an immediate uproar from importers who regarded the quota as way below their expectations.

The Commission arrived at the 20,000-tonne figure by taking the 1992 trade level of 12,000 tonnes and adding 8,000 tonnes to accommodate growth in the product and newcomers to the market.

The quota was originally to be allocated on a first-come-first-served basis. But following a meeting this week, past performance will also be taken into account when dividing up the quota.

The first 12,000 tonnes will be granted to companies that were trading in 1992; they will be given a share identical to their 1992 level of imports. The remaining 8,000 tonnes will be shared between companies that have already paid for goods not covered by quota and newcomers.

The UK Department of Trade and Industry's import licensing division yesterday began contacting all silk importing companies on its books requiring them to file by 5pm tomorrow returns certifying flows of imported textiles from China.

An official warned yesterday that if this method of administering the quota failed to meet industry's requirements, then the UK would be pressing next week for the EU to enlarge the quota.

TMI Europe, second-largest UK importer of Chinese silk after Tie Rack, said that it had doubled its turnover since 1992 and could fill the entire quota on its own.

# Japan eases curbs on foreign lawyers

By William Dawkins in Tokyo

The Japanese government has finalised plans to ease restrictions on foreign lawyers' freedom to do business in Japan.

Under plans prepared by the Justice Ministry, foreign and Japanese law firms would be allowed to merge and to practise foreign and Japanese law from the same office. At present, clients have to go to separate legal offices.

However, foreign lawyers will continue to be prevented from arguing Japanese cases in Japanese courts.

The proposals are expected to be laid before parliament early next month. The aim is that they should take effect within a year.

They are the result of long-standing pressure from the European Union and the US, keen to have access to Japan's lucrative but tightly controlled market.

The Japan Federation of Bar Associations has been understandably reluctant to expose itself to foreign competition, but it compromised with the Justice Ministry after Mr Morihiro Hosokawa, the prime minister, seized on the plans as part of his deregulation drive.

# Iran scraps visas for free zones

Iran has scrapped visa requirements for foreigners visiting its free-trade zones, according to a senior official, *Reuter reports from Tehran*.

Mr Morteza Alviri, head of the high council of free zones, said that under newly-approved regulations foreigners could stay in the three zones without visas for up to two weeks.

They would need police permission to stay longer or to travel to the rest of the country, Mr Alviri added. His comments were reported by Hamshahri newspaper.

The zones – Kish island in the Gulf, Qeshm island in the Hormuz Strait and Chahbahar on the Gulf of Oman – were set up in 1989 to promote foreign investment, export-oriented industries and trade.

Critics in parliament opposed easing of entry regulations for the zones, saying it would create security problems along the country's main sea routes.

# Guyana ends investment tax breaks

By Canute James in Kingston

Guyana has abolished tax holidays for foreign investors, creating what Mr Asgar Ally, finance minister, says will be "a level playing field for all investors".

Local business has been complaining of being put at a disadvantage to foreign investors who have enjoyed grace periods and exemptions from a range of taxes and duties.

"Existing tax holidays will be allowed to expire," said Mr Ally. "We have not been granting special holidays to anyone for more than a year."

The Guyana government has been seeking foreign investors to expand the economy which is based on gold and bauxite mining and sugar and rice production. Several have invested in power generation, telecommunications and mining over the past four years as the government has been selling off a number of state-owned enterprises.

# Bank gets more freedom on gilts issues

By Philip Coggan and Conner Middelmann

The UK Treasury yesterday announced it was giving the Bank of England greater freedom to operate in the government bond (gilts) market. Once annual guidelines on funding policy have been set by the Treasury, the Bank will be effectively free to choose the timing and nature of gilt issues.

The change is another step towards giving the Bank control over "technical" matters of policy with the Treasury retaining the power to decide strategy. It follows the announcement last year by Mr Kenneth Clarke, the chancellor of the exchequer, that the Bank would have control of the timing of interest rate cuts.

Analysts stressed that the Bank had always had the main responsibility for the timing of gilt issues and the announcement was unlikely to make much difference to funding policy. Nevertheless, Mr Don Smith, UK economist at Midland Global Markets said "This move puts the Bank of England further along the road to independence – it's a very subtle move, and means more autonomy for the bank." Mr Simon Briscoe, UK economist at S G Warburg Securities described the change as "a further important step towards Bank freedom and towards a more orderly market."

Both the Bank and the Treasury emphasised that the new structure is designed to be more efficient. According to the Bank, the system provides a "fast track process" for approving individual decisions for auctions.

In a statement, the Treasury said that "In the past, individual decisions on funding were taken after discussion between Treasury Ministers, Treasury officials, and the Bank of England. In future, any operations the Bank proposes that fall within the remit and the guidelines will normally be approved by Treasury officials."

A formal remit for the Bank will be set out by the Treasury at the start of the financial year, which will reveal the expected gross issues of gilts needed to fund the borrowing requirement. Previously, gilts traders had been forced to estimate this.

The Bank set out its policy for the 1994-95 financial year yesterday. It said that the likely gross sales of gilts would be £37bn, and it would continue to fund via a combination of monthly gilt auctions and sales of stock "on tap" in the secondary market. Individual auctions will be for between £2bn and £3bn of stock and will normally be held on the last Wednesday of the month.

The Bank has called a meeting at 4pm today London time to discuss the new structure with market-makers but the City welcomed the greater openness of the system. Mr John Shepperd, chief economist at Yamaichi International Europe, said "this is a useful step in terms of the transparency of the Bank's operations."

# Why parent companies want local components

**Alan Cane** shows why Panasonic thinks buying Welsh nuts, bolts and screws is very good business

Mr Terry Davies, purchasing director for Panasonic Europe's television division, may be on the verge of a breakthrough.

Two decades after Panasonic's parent, Matsushita of Japan, established colour television manufacturing operations in the Welsh capital, Cardiff, he believes he has found a local source for screws, nut, bolts and washers.

For 20 years the Cardiff plant, on the Pentwyn Industrial Estate, which makes 500,000 sets a year, has imported fastenings from Japan. Local manufacturers simply do not turn out a broad enough range of fixings in sufficient volume to compete on price with Japanese makers.

Companies like Matsushita are anxious to buy from local companies – which means anywhere in Europe. The company spends £140m a year on goods including video cabinets from Germany, plastics from Sweden and packaging from the UK and 21 people in the Cardiff purchasing department are continually looking for additions to Panasonic's 150-strong list of suppliers.

There are good political reasons for Panasonic's policy. The company wants to be seen as a good Euro-citizen, helping to avoid trade friction and giving business to local suppliers in ways which improve the quality of their products.

There are also good commercial reasons – for example, delivery of a new design of component from the Far East can take five to six months, compared with a few weeks for the same component sourced locally.

But some years ago, manufacturers like International Business Machines of the US complained bitterly that they could not buy components of adequate quality locally within Europe.

The Panansonic experience suggests that things have improved, but there are still trouble spots, and some components seem unlikely ever to be sourced in Europe.

Last year some 72 per cent, measured by value, of the content of Panasonic Europe's televisions up to 33 inches in screen size came from European suppliers. The lion's share is picture tubes – which represent roughly 40 per cent of the value of a set – which come from Philips of the Netherlands and Thomson of France.

Mr Davies says he wants to increase local content to 82 per cent by 1996 – leaving 11 per cent from south east Asia and seven per cent from Japan.

The printed circuit board, the electronic cornerstone of the television set, is a case in point. Last year, Panasonic sourced all its pcbs from Japan and south east Asia. By 1996, Mr Davies hopes to buy 25 per cent of his pcbs from Belgium.

The plant used to buy all boards locally, but stopped because of poor quality. Now the problem is quantity; Cardiff can use up to 22,000 boards a day in peak months of production and local suppliers have been unable to meet the volumes to meet such demand.

The most safety-critical component in a colour television set is the flyback transformer (fbt), at the end of the picture tube, which generates the thousands of volts needed to drive the picture gun.

Cardiff buys more than 75 per cent of its fbts from Japan and south east Asia, and some 23 per cent from Mieco, a Matsushita subsidiary in East Kilbride, Lanarkshire. By 1996, the plan is that 55 per cent will come from East Kilbride.

Mr Leahy says statutory standards for fbts are higher in Japan than in Europe and Mieco builds to Japanese quality. Replacing Mieco's products from a European owned company would not be a priority.

Similarly, he will "never" buy electrolytic capacitors, devices which store electric charge, from Europe.

The complicated mouldings for the set cabinets also come from expatriate Japanese companies – Diaplastics of Bridgend and Mumekta in Dublin. In a complicated tripartite sourcing deal, Panasonic is buying advanced Italian moulding tools from Italy costing £300,000 each to install at Diaplastics.

Mr Davies says Panasonic's insistence on quality and reliability has markedly improved suppliers' performance, but he still detects a greater willingness among Asian companies to make the extra effort to satisfy his needs compared with their European competitors.

Michael Heseltine said rows with Britain's partners did the UK no harm

Picture: Trevor Humphries

# Cabinet backs EU veto plan

By Roland Rudd

Mr Douglas Hurd, the UK foreign secretary, last night appealed for support from senior Conservative backbenchers for an eventual compromise over Britain's demand that there should be no change to its EU blocking veto.

The foreign secretary earlier received the cabinet's backing for a deal which "preserved the substance" of the UK position, which seeks to prevent the number of votes needed to block legislation from rising from 23 to 27. But he was warned by Euro-sceptics that they would not vote for any deal which "further diluted the Common's authority".

Both Mr Hurd and the prime minister, however, have made it clear that the dispute should not lead to a delay in enlargement of the community.

Mr Major insisted that Mr Hurd was negotiating to safeguard Britain's short and long-term interests, and added: "I am entirely confident that can be done in an acceptable way without any question of delaying enlargement."

Without a compromise by Britain and Spain, which have been opposing the proposal to increase the number of votes required to block decisions, Sweden, Finland, Austria and Norway will be unable to join the EU by next January.

Mr Michael Heseltine, trade and industry secretary, said Mr Hurd had the full support of his cabinet colleagues for negotiations with EU foreign ministers on Tuesday.

He said he has always described himself as a European because Britain's membership of the EU was "a policy extension of Britain's self-interest". It did the UK no harm if there were rows with Britain's partners, he argued.

The government plans to bring forward legislation in the autumn if there is agreement on enlargement. But a number of right-wingers and Euro-sceptics are threatening to rebel if the government compromises over weakening its blocking veto.

## Britain in brief

### Swans faces long wait for key order

Swan Hunter, the Tyneside shipbuilder in receivership, faces a damaging four-month wait to hear whether it has won a Ministry of Defence order crucial to its future.

The MoD said yesterday it would not decide until July which company had won the refit of the Sir Bedivere landing ship, for which the tender deadline is next Thursday.

Swan Hunter's receiver, Price Waterhouse, which is optimistic of receiving at least one bid for the company before Thursday, expects any bids to be conditional on the award of Sir Bedivere, an 18-month contract which could be worth around £30m.

### Cancer tests 'encouraging'

The first tests on patients of a new form of cancer treatment developed by a British company have had promising results, trials data published show.

British Biotechnology's drug batimastat performed well enough with 15 patients in the trial for investigators to give additional doses to some.

Professor John Smyth of the Imperial Cancer Research Fund's Medical Oncology Unit at Edinburgh's Western General Hospital said he was "very encouraged" by the results of the trial, which suggested batimastat "may be effective in the treatment of ovarian cancer."

The mechanism by which the drug works means that, if it progresses through the next two years of clinical trials, it could be used in a variety of cancers, including breast, lung, colorectal and prostate, even on patients close to death.

Phase II of the clinical trials starts in April. Phase III trials, upon which applications to have a drug approved by the world's health regulatory bodies, should begin later this year.

Other companies are working with metalloproteinase inhibitors, but none is as far advanced as British Biotechnology, said Mr Edmund Debler, a New York biotechnology analyst with stock broker Mehta and Isaly.

British Biotechnology shares rose 5p to 450p.

### Motor cover costs 'to fall'

Most UK consumers can expect the cost of their motor insurance to fall this year as a wave of competition drives down premium rates, according to two of the country's biggest chains of high street insurance shops.

Mr Barry Hulbert, managing director of Hill House Hammond, estimated that four out of five drivers can expect to pay less, although drivers with poor records could still face increases. "Overall comprehensive premiums should drop by 5 per cent or more," said Mr Hulbert.

On the basis of Hill House's statistics the average cost of a comprehensive motor insurance policy has already fallen from £442.54 to £417.34 in the past four months, while average rates for non-comprehensive policies – which cover third party liabilities and some other risks – have dropped from £280 to £273.

### 'No' to HGV test sell-off

The government has decided against privatising the testing of heavy goods vehicles and buses, currently carried out the Vehicle Inspectorate, an executive agency of the Department of Transport.

Mr John MacGregor, Transport secretary, said that a study by Price Waterhouse, the accountants, had found that a successful sale could not be achieved if competition were introduced into testing.

### Van sales back up confidence

Sales of vans and other light commercial vehicles bought on hire purchase or other forms of finance leapt by more than one half last month, providing a further sign of returning business confidence, particularly among small traders.

Finance sales of new light commercials rose by 51.2 per cent. But this was narrowly eclipsed by finance sales of used commercials, which jumped by 52.6 per cent.

Statistics from HPI, the vehicle credit information organisation, also show a 47.8 per cent rise in finance sales of used trucks and other heavy commercial vehicles, and a rise of 22 per cent in finance sales of new "heavies".

### 600 jobs to go at W.H. Smith

W H Smith, the UK retail and distribution group, expects to cut up to 600 jobs as part of a restructuring plan in its stores which will reduce the number of management layers from four to two.

W H Smith said it hoped the majority of the redundancies would be voluntary.

The announcement is the latest in a series of retail job losses, including 800 at Tesco, the second-largest grocery chain, and 650 at J Sainsbury, the UK's biggest grocer.

### British Coal to cut 320 jobs

British Coal is to cut at least 320 jobs at its Harworth, Nottinghamshire, colliery, in a move which signals significant further restructuring of the industry prior to privatisation later this year and next.

Although British Coal has completed the bulk of the industry rationalisation which began 18 months ago, it is thought that two or three more pits will be closed within the next few months among the 17 which are currently in operation.

# Sydney plea leads to 'illegal' law raid

Mr Michael Howard, the UK Home Secretary, was yesterday ordered by London's High Court to pay court costs estimated at £100,000 – £150,000 for unlawfully authorising the police to seek a warrant to raid a leading London law firm after a request for assistance from the Australian government, writes Robert Rice.

The Court ordered that documents seized during the raid on the offices of solicitors Theodore Goddard and accountants Stein Richards should be returned.

Mr Howard had denied that he, or the Home Office, had acted unlawfully in responding to a request from the Australian government for help in a criminal investigation. But the Court said he had failed to follow the correct procedures for handling a request for assistance.

In August last year Mr Howard received a request from the Australian DPP for assistance in obtaining information wanted in connection with an investigation involving the Sydney-based Scheinberg group owners of the Best & Less retail chain.

After vetting the request, Mr Howard passed it to the Metropolitan Police giving them a free hand in deciding what procedures to follow in obtaining the information.

At the end of October, following a further request for documents from Australia which was passed by the Home Office to the police without vetting, the police obtained search warrants from an Old Bailey judge and raided the offices of the two firms, both of which act for Scheinbergs.

The documents seized were then handed by the police directly to the Australian authorities in breach of the terms of law which requires the Home Secretary to check they are the right documents and that they are not privileged.

The Home Secretary said last night he was considering an appeal.

# MPs set to urge finance shift for Post Office

By David Owen

Britain's Post Office should be free to raise money outside the public sector borrowing requirement to enable it to compete against new rivals in the public sector, an influential committee of MPs is set to recommend.

In a report on the Post Office's future to be published next week, the trade and industry select committee – on which the Conservatives have a majority – will urge the government to disclose the findings of its 19-month review of the corporation as soon as possible.

It will argue that uncertainty over government's plans for the Post Office is putting the corporation at a serious disadvantage with regard to domestic and foreign competitors, and that the status quo is not an option.

But the report will stop short of recommending specific action to improve the corporation's position.

The report comes as the government's problems in devising a course of action for the Post Office have been underlined by pressure from a powerful group of cabinet ministers to shelve plans for further radical legislation in the 1994-95 parliamentary session.

These ministers believe that with the government already committed to difficult legislation next year on social security benefits, pensions and Europe, it cannot afford to take unnecessary risks.

The committee's move – which is intended to clear the way to allow the government to concentrate on rebuilding a reputation for its competence ahead of the next general election – looks set to delay indefinitely the Post Office's privatisation.

Several ministers have warned that privatisation of the Royal Mail would invite strong opposition both in the Lords and among Tory MPs because of potentially damaging implications for rural services and local post offices.

Mr Michael Heseltine, trade and industry secretary, told the committee last month that there was a strong economic case for privatising the Royal Mail, while indicating he had been prevented from doing so by political considerations.

He said the alternative to privatisation – the 'halfway house' of giving the Post Office more commercial freedom within the public sector – was also proving extremely difficult. He had approached this with less enthusiasm than he had full privatisation.

Mr Heseltine made no apologies for not concluding the review, saying it would be "irresponsible" to rush the decision.

# Synthetic bone can knit with the real thing

By Clive Cookson, Science Editor

Scientists have made and tested a replacement bone material which knits cleanly together with real bone.

The "bio-ceramic" has been used successfully to repair the cheek bones of 30 patients. This year a larger clinical trial will start with 400 people who require facial reconstruction.

But the most important application will be in hip replacements, said Prof William Bonfield, head of the research team that produced the artificial bone at Queen Mary and Westfield College, London. It could eventually transform the outlook for the 500,000 people a year who undergo hip replacements, as it would last a lifetime.

The metal and ceramic implants used today have to be replaced surgically every five to 15 years, at an average cost in the UK of £6,000 each time. They fail when the patient's bone shrinks away from the hard implant and the joint works loose.

Prof Bonfield told a conference in London yesterday that his team expected to begin clinical trials within two years in people whose first artificial hips have failed. His new material is a composite containing hydroxy-apatite, the main mineral in bone, blended with polyethylene plastic.

Several other research groups have formulated artificial bone from hydroxy-apatite. What makes the London material a world first, according to Prof Bonfield, is that unlike the others it has the same micro-crystalline structure as real bone. That enables the patient's bone to grow cleanly into the implant.

The secret – which Prof Bonfield is now negotiating to commercialise with an unnamed healthcare company – lies in the way the London group preserves crystals a few nanometres (millions of a millimetre) long while making the hyroxy-apatite into a ceramic.

Other participants at the Hammersmith Hospital conference on "nanotechnology in medicine" responded enthusiastically to the innovation.

Prof Colin Humphreys, a materials scientist at Cambridge, said medical researchers had come to realise over the last year or so that "they have to work with nature on a nano-scale" if they are to make materials truly compatible with the human body. He forecast that nanotechnology would lead – perhaps in 50 years – to implanting silicon chips in the human brain "as an aid to memory or treatment for Alzheimer's disease."

# London 'hindered by lack of planning'

By John Willman, Public Policy Editor

London's future as a world city has been weakened by the absence of a single planning authority for the central business district, according to Hillier Parker, the property agents.

The UK capital is unable to co-ordinate its efforts to attract inward investors in the same way as other European cities such as Paris and Frankfurt, the firm says.

London's competitors have single local authorities that can offer comprehensive packages to international businesses which are looking for a European base.

Since the abolition of the Greater London Council in 1986, planning in London's centre has been the responsibility of 10 inner-city boroughs, loosely co-ordinated by central government's Department of the Environment.

They have been urged to maintain a Central Activities Zone where priority will be given to the business and economic development which is essential to the capital's status as a world city. However, a study by Hillier Parker shows that the 10 boroughs have designated less than half the city centre as part of the Central Activities Zone.

Much of the central business area – defined by the registrar general using demographic data revealing where property is mainly non-residential (see map) – has been left out.

This includes all of the central business area in the three boroughs on the south bank of the River Thames – Wandsworth, Lambeth and Southwark. Islington, which adjoins the City financial district, has designated only one small area as part of the zone.

"Overall the picture is of a city that is shrinking and becoming more fragmented in planning terms," says Mr John Parmiter of Hillier Parker.

As a result, London will find it harder to attract international businesses to the capital, adds Mr Parmiter.

Currently there is no single body promoting inward investment into the UK capital. Efforts to create a "First-Stop Shop" have been made by London Forum, a private-sector initiative launched last year to promote London.

So far, it has had to rely on funding from three organisations: the City of Westminster, the Corporation of London (which governs the financial district colloquially known as "the City") and the London Docklands Development Corporation, an urban regeneration quango.

A feasibility study on the potential for the First-Stop Shop found that other European cities such as Frankfurt and Paris have central organisations for promotion to inward investors, with budgets of several million pounds a year.

In Paris, a deputy mayor with a budget of £4m a year promotes economic development. A glossy brochure, Paris: No Greater City for Working and Living, underlines the advantages of dealing with a single local authority for the inward investor.

Last year, it was left to the City Corporation and the London Docklands Development Corporation to represent the capital at the Hong Kong World Property Market convention. Other European and UK cities have long marketed their attractions at such events.

Each of the 10 inner-city London boroughs is now completing its first unitary development plan setting out strategic planning policies on matters such as areas to be designated for business development.

Little effort has been made to co-ordinate the 10 plans, says Mr Parmiter. "Some of these boroughs appear to regard their central London areas as distractions from their responsibilities to residents."

"There is no agreement between them on what constitutes the central activities zone. Camden excludes all but a small part of its area while neighbouring Westminster casts the net far wider," he says.

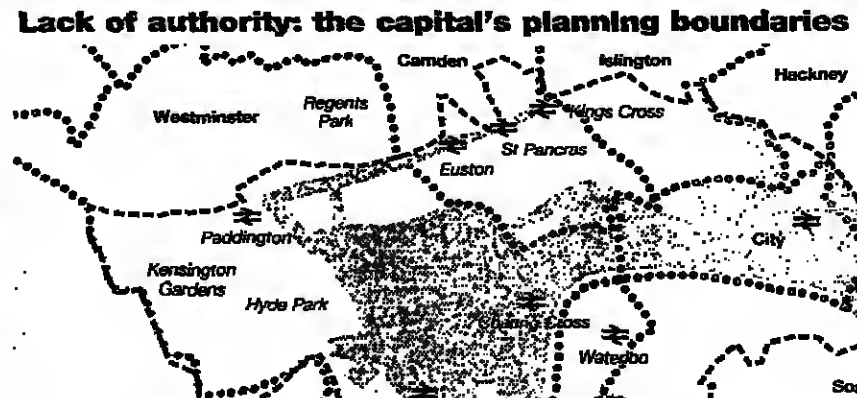
Comparison of the 10 maps shows that neighbouring boroughs have different planning policies. Their plans even disagree on factual matters as the line of the underground railway and the route for new lines such as CrossRail.

Most of the boroughs' plans for the central area are too advanced to be altered significantly.

"By the time we wake up to this, it will be too late to do anything about it," says Mr Parmiter.

"How can we compete with Paris and other cities with such an incoherent approach?" he asks.

**Lack of authority: the capital's planning boundaries**



# Market slow to buy retail stock

The revival in property share prices promised to make this spring a golden opportunity for property companies to join the stock market. But this week's placing and open offer by Capital Shopping Centres, a £830m retail company, met with a lukewarm response.

CSC is the retail property arm of TransAtlantic, the insurance and property group. Its sponsor, Robert Fleming, has succeeded in placing 65 per cent of the £209m-worth of shares on offer with institutions, the remainder being on offer to the public until March 23. However, few analysts expect the shares to provide quick profits.

The problem is not that the company lacks attractions. It will be the sixth largest property company on the market and, as the owner of seven of the UK's most prominent shopping centres, it is the market's only large retail sector specialist.

Moreover, its high quality assets, low level of borrowings and good rental growth prospects should ensure a steady rise in its income. Mr David Tunstall of Smith New Court, brokers, says it has "the best dividend growth prospects of any company in the sector".

One reason why the company has not caught the market's imagination is that this is not the first time shareholders have been offered minority shares in TransAtlantic's property interests. CSC is composed of the retail property interests of Capital & Counties, a long-established property group, which was listed on the stock exchange until 1992 when TransAtlantic acquired its minority interests.

But the main reason is the offer is perceived to be too expensive. The shares have been priced at a 13 per cent premium to net asset value, which looks expensive compared with the rest of the sector.

Mr Chris Turner of BZW believes that the company's lack of gearing will hold back growth in its net asset value. Even a 25 per cent rise in property values over the next two years might be insufficient to stimulate a rise in share price – if property shares return to being valued at a substantial discount to asset values.

These criticisms rile Mr Donald Gordon, the company's chairman. "They don't realise it is a situation with tremendous upwards potential."

Mr Gordon contends that the company's valuers have underestimated the true worth of the company's assets.

According to the prospectus, the directors "do not believe that... this value properly reflects the long-term investment worth of the regional shopping centres in the London area".

Their argument carries a certain weight, as shopping centres have tended to perform relatively well compared with competitors in the high street.

But investors are concerned about a possible competitive threat to CSC's flagship centre, a 1.32m sq ft shopping centre at Thurrock, which accounts for about half its total assets. Blue Circle, the cement company, has drawn up plans for a rival shopping centre, Bluewater Park, at Dartford in Kent. Analysts estimate that the close proximity of the rival centre could take 20 per cent of Thurrock's shoppers.

Mr Gordon is sanguine about the rival scheme. "I personally would welcome some competition," he says. "We have a vast educational problem in re-educating the shopping public that shopping is a joy to do instead of being a chore."

**Vanessa Houlder**

Tony Andrews

Gordon: true worth underestimated

# Perplexing new phase

**Vanessa Houlder on the impact of converging gilt and property yields**

The property investment market is approaching a watershed. The gap between gilt yields and property yields is starting to close.

The reason is twofold: the sharp fall in gilt values over the past six weeks, in which 20-year gilt yields have risen by one percentage point to 7.4 per cent, and the rapid surge in property values over the past nine months.

Property yields are still being driven downwards by the weight of money being directed towards the sector.

Average property yields, which stood at 9.2 per cent in February 1993, are likely to fall to below 7.5 per cent at some point over the next month, according to Mr Greg Nicholson of Hillier Parker, chartered surveyors.

This presents a conundrum for property investors. Investors have tended to view high-yielding properties with secure, long-term income streams as a substitute to investing in bonds.

As a result, much of the driving force for last year's drop in property yields was the decline in bond yields.

The close relationship displayed by bond and property yields last year suggests that property yields could be dragged up by the current rise in bond yields.

But this seems unlikely.

Most analysts believe that property yields will sink beneath gilt yields, as investor confidence increases about the prospects for growth in property rents.

This scenario, after all, would merely be a return to the traditional relationship between gilt and property yields.

Many property owners believe that property values have nothing to lose from an increase in inflation. An inflation-induced rise in rental values would be expected to compensate for the impact of the likely rise in gilt yields.

Nonetheless, the erosion of the gap between gilt and property yields may dampen investor enthusiasm. Some investment decisions have been based on demanding projections for rental growth.

Yet, so far, there is little sign of rental increases in even the best property – although some of the incentives such as rent-free periods offered to tenants are beginning to diminish.

If the closing of the yield gap causes investors to believe that property is self-evidently cheap, some of the froth may be taken off the top of the market.

At present, there is still a scramble to buy property. The result is that values are being chased upwards – in many cases well above the asking price.

"It is a bit like being in a casino. Quoting terms bear no relation to the ultimate sale price," says Mr Nicholson.

If some of the heat is taken off the market, investors who have seen large capital uplifts over the past 18 months, may be willing to sell up and take profits.

If this happens, a reduction in the the shortage of property, which has helped drive up prices, will enable a much greater equilibrium in the market.

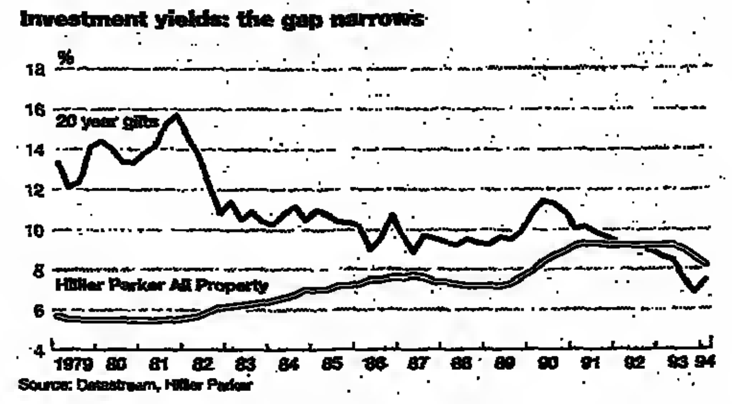
The properties which are most vulnerable to a cooling of the market are high yielding buildings where tenants are locked into paying well above market rents for long leases.

As investors have become more concerned about prospects for rental growth, there has been a lessening of interest in these over-rented properties.

Moreover, since many investors viewed the high, secure income streams offered by these properties as substitutes for bonds, they are likely to be more sensitive than on average to increases in bond yields.

But for most types of property, the likelihood is that any further rises in the bond yields, if modest, will slow the property price rises rather than put them into reverse.

**Investment yields: the gap narrows**




Source: Datastream, Hillier Parker

**The erosion of the gap between gilt and property yields may dampen investor enthusiasm**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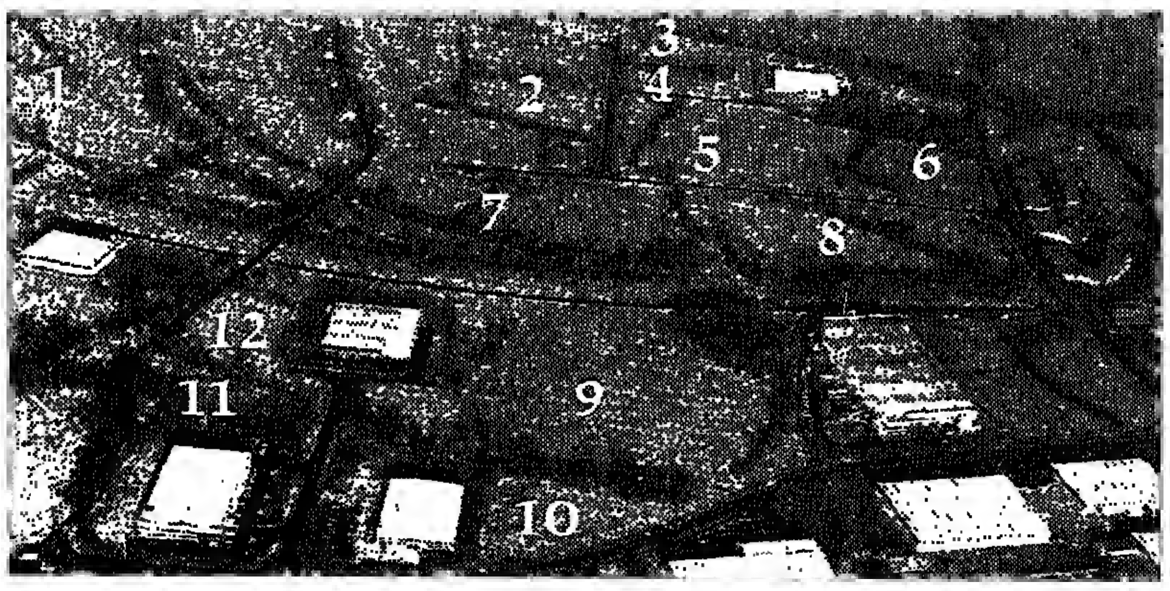


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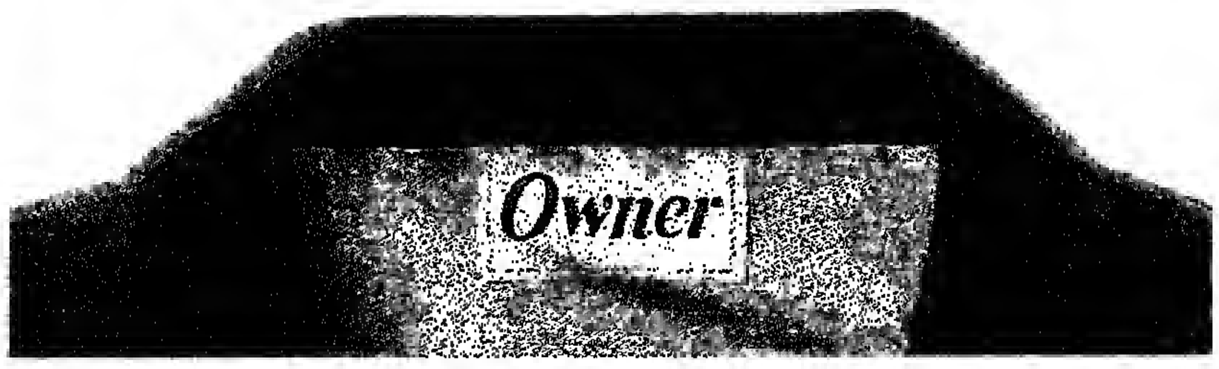


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# TECHNOLOGY

## Oilseed fuel on trial

The UK's first trial to assess the commercial prospects for refining oilseed rape into biodiesel begins this month. Farmway, an agricultural co-operative, plans to produce 25,000 litres of biodiesel at a Chemoxy refinery on Teesside in north-east England.

The co-op will then test the fuel in one of its vehicles and three of its cars for several months.

Further trials are being conducted by another farm co-op, United Oilseeds, which is running three of its cars on imported biodiesel for a year. The car emissions will be checked to see whether the fuel holds environmental benefits over conventional diesel.

Farmers are looking at the prospects of finding a fuel market for produce grown on land set aside as part of the European Union's Common Agricultural Policy reforms. This land cannot be used for food crops.

Other countries in the EU, such as France and Italy, have established a market for fuels refined from oilseeds. But to compete with conventional fuels, these products need government tax breaks.

The European Commission has proposed that biodiesel and other similar products attract lower rates of duty. However, the British government has pointed to the lack of trial data in the UK.

Martin Farrow, managing director of United Oilseeds, does not expect biodiesel to achieve mass market status. "But there is potential for its use in environmentally sensitive areas, urban transport systems, buses, taxis and waterways."

The fuel is expected to be 10p a litre more expensive than conventional diesel. Some users, on waterways, for example, may be prepared to pay for a more environmentally friendly product. Diesel spills in waterways can cause greater environmental damage than biodiesel which disperses within weeks.

**Deborah Hargreaves**

As electricity deregulation begins in the UK next month, **David Lascelles** looks at a new generation of meters

## Counting the cost

In a tastefully converted barn at Odiham in Hampshire, a computer screen shows the map of a residential area north of Bristol. At the touch of a button, the screen prints up real-time details of electricity consumption in any of 30 houses in the area – not just voltage, but wattage and whether the electricity being used is inductive or reactive.

More than that, the computer can print out the consumption record for several days in 11-minute blocks, providing a detailed history of each household's life patterns (the exact identity of each household is not disclosed during demonstrations).

The experiment is being conducted by a new company called Remote Metering Systems (RMS) in conjunction with SWEB, the Bristol utility, to test a new generation of metering and communications technology. Each house has a novel type of electronic meter with a communication device which sends messages along the electric wires.

This technology is being developed in anticipation of the deregulation of the electricity market which starts this April and will be completed in 1998. By then, every household in the country will be able to buy its electricity wherever it wants.

Metering is a key part of the revolution because it will provide the means to manage an electricity system with multiple suppliers to millions of households. The electricity will still be delivered to each household down the wires of the local regional electricity company (REC). But each supplier will need to know how much power to put into the system to meet customer needs.

Electricity is already being sold in 30-minute lots to big industrial customers. Households will probably deal in four-hour lots, but the new meters will still have to measure their consumption by the half hour because that is how electricity is traded in the wholesale market.

RMS was formed at the end of 1992 by six electricity companies headed by Scottish Hydro-Electric and a group of experts in high-speed mains signalling technology. "All this has vast implications for the management of the electricity system, distribution costs and households," says Nigel Brown, managing director.

If the Bristol experiment is a success, RMS will install several thousand remote metering systems in a selected area of Scotland, and commercial production of the technology will begin. But it is not the only experiment going on.

Southern Electric, based outside Maidenhead, in Berkshire, and Scottish Power, have teamed up with Itron, a US company, to adapt 500 meters in both southern England and Scotland so that they can be read remotely every 30 minutes. Instead of using the mains, these meters will transmit their signals via satellite and telephone links to computers at the two companies' headquarters.


Although testing the technology is a key aim of the experiment, one of the main purposes, according to Stuart Broomfield, Southern's director of customer services, is to see whether it is commercially feasible. That points to the real issue: cost.

New electronic meters cost more than £50 each. Although this cost would, in the first instance, be borne by the electricity company (household meters belong to the local distributor), it would ultimately be passed on to the consumer in the form of higher electricity prices. But why should an REC want to pay for everyone to have a new meter unless it saw benefits for itself, possibly in the form of automatic meter reading, or better load management?

Alternatively, a householder might want to buy a new meter in order to be able to shop around for electricity. But would he spend, say, £70 in order to achieve a 5 per cent saving on a £300 bill? Traditional meters cost only £20 and last 60 years, so the motive to change has to be strong.

Andrew Forrest, marketing manager for GEC Meters, says: "Research bears out that the number of customers seriously interested in saving money is going to be less than 10 per cent." GEC is trying to get round the cost problem by marketing an attachment which can read a standard meter and transmit the information back to base. This would cost about £30-£40, depending on whether it sent its messages by wire or radio.

Schlumberger Industries, another meter manufacturer, is stressing the cost-saving aspects of new meters. "We look at this very much as part of revenue-collection for suppliers and cost messages for consumers," says Tom Mahoney, managing director.

A further cost is the transmission of the data. RMS says its form of power line communication system costs about £12 to install, in addition to the meter.

But Forrest is doubtful about power line technology: "It works out more expensive than you'd expect, and it's fraught with technical difficulties." He favours the telephone system. Brown agrees that his technology may be more expensive than, for example, radio, but he emphasises the value of a two-way communication system which can not only read the meter but also give it instructions.

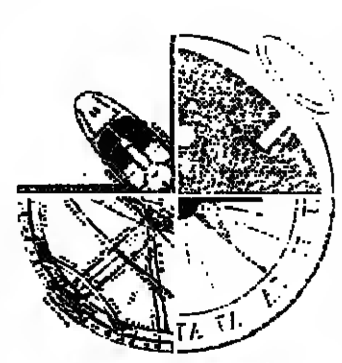
The electronic link could be used to provide alarm services, or enable electricity suppliers to offer interruptible supplies to consumers who were willing to have inessential equipment switched off at peak hours in exchange for lower tariffs.

All forms of meters would also enable householders to have live meters on the kitchen wall showing exactly how much electricity they are using at any time.

At the moment, though, the market is at a standstill because all potential purchasers of new meters are waiting to see the rules of the pricing game. These are being determined by Stephen Littlechild, the electricity industry regulator, who is conducting a review of electricity distribution pricing which will be completed in the summer.

In a discussion document on metering two years ago, he hinted that the review might produce changes in the electricity pricing formula to enable electricity companies to recoup the cost of installing new meters. Littlechild believes modern meters hold the key to a competitive market.

## Worth Watching · Della Bradshaw



### Voyager workstation saves desk space

For a glimpse of future desktop computer design, look at Sun Microsystems' Voyager workstation, *writes Louise Kehoe.*

It features a 12-in. tilting, active-matrix, colour, flat-panel display that can be folded against the vertical computer housing for storage.

The unit takes up about one-third of the desk space of a traditional workstation and because of its small size and weight is expected to appeal to people in financial services, or field workers such as consultants, analysts or auditors.

The display uses one-tenth of the power of a typical workstation and adds about $5,000 (£3,425) to the price.

*Sun: US, 415 960 1300.*

### New chips for old

For many upgradeable PCs, replacing the old processor chip with the latest one is tantamount to putting a Ferrari engine in a mini – the rest of the machine cannot cope.

Californian company General Micro Systems has now launched a machine which connects the components on the single board with a 64 bit bus which can transport data at a rate of 320 Megabytes a second – far faster than required by today's processors. The Predator, sold in Europe by FPS, of Bracknell, can handle any type of processor.

*GMS: US, 909 980 4813. FPS: UK, 0344 56921.*

### Freezing technology creates novel lollies

As summer approaches, food manufacturers may be interested in a novel freezing technology which could produce intricately-shaped iced lollies.

Today most lollies are frozen in the mould, which is then heated quickly to release the product. This method results in the lolly losing shape and definition.

The latest freezing technology, developed in Basingstoke by Air Products, relies on the principle of zero adhesion, where the surface is so cold that nothing will stick to it.

By chilling lolly moulds to at least -80°C using liquid nitrogen, intricately-shaped and coloured lollies can be produced.

The company has already developed lollies in the shape of a fried egg and a light bulb.

*Air Products: UK, 0932 249273.*

### Symbol shows 'green' forestry

Timber grown and sawn in Britain should in future carry a symbol guaranteeing that it was harvested under licence on the basis of sustainable forestry, if a scheme launched this week is successful, *writes James Buxton.*

The Woodmark scheme, introduced by the Forestry Industry Committee of Great Britain, aims to meet public demand that consuming timber does not mean depleting forests. This demand has risen since Britain accepted forestry resolutions at the Rio Earth Summit in 1992.

From the middle of this year sawmills should stamp every plank of British wood with the Woodmark if they are satisfied that it was appropriately harvested.

*FICGB: UK, 071 930 9422.*

### Computer with a sense of smell

A "neural nose" which can sniff out fine wines by identifying the grape and vineyard can also smell fake perfumes and contaminated food.

The computer with a sense of smell, developed by two British companies, Neotronics and Neural Technologies, incorporates 12 sensors made of conducting polymers – the human nose has 10,000 sensors. Nevertheless, by using neural computing techniques the nose can identify subtle smell combinations.

*Neural Technologies: UK, 0730 260256.*

# PEOPLE

## Dawson goes Dutch

Peter Dawson (right), who over the past six years has built up the commercial vehicle hire and distribution company Dawsongroup to a market capitalisation of £172m, is going Dutch.

Today Dawson, who still owns almost 65 per cent of the shares, resigns as executive chairman to become chairman and managing director of the two-week-old Dawsongroup International in Rotterdam.

Dawson's caution and conservatism have allowed him to prosper in a field that has seen many casualties during the recession. He felt that the group needed to expand internationally, but was unable to find any better way than to do it himself. Rotterdam is the ideal place to start, he thinks, since not only is it a good centre for transport but also an outlet for the Dutch dairy and market garden industries. By the end of the year he hopes the Dutch division will have 25 portable cold storage units and 25 trailers. As with every other development at Dawsongroup, of which he remains a director, he likes to start small and grow.

Michael Williams, a veteran of 18 years with Dawsongroup, took over as chief executive last November. The new chairman is Tony Frendo, 46, who was until recently with Argyll as managing director, finance and administration, at Safeway Stores.

## Burgin joins Max and Polly at Bluebird

Mighty Max has a fairly low City profile, nothing to do with his height of less than one inch. Max is one of Bluebird Toys' success stories, a miniature figure now selling in 60 countries, along with Polly Pocket and other tiny creatures aimed at capturing children's hearts. Max and Polly have just got a new boss, Christopher Burgin, 44, who has been made chief executive of the company.

Burgin has been picked by Bluebird's founder, Torquil Norman, 61, who is giving up the chief executive's job – but remaining as chairman – to concentrate on new product development.

Angus Fisher, group operations director for the past four and a half years, is leaving. Norman says that because of the board restructuring, Bluebird "needed someone with more of a marketing background as chief executive", but adds that the parting with Fisher was amicable.

Burgin will be working closely with Norman and also David Laxton, whose title is technical director but who Norman says plays a much greater and vital role in product development than the title reveals.

Bluebird has gone through its ups and downs. Established in 1980, voted British toy manufacturer of the year in 1984, it was listed on the USM in 1985. It seemed unable to put a foot wrong, until in 1991 its shares nosedived from a 1987 peak of 506p to 28p; losses hit £3.5m, partly a result of the Gulf War but also from a failure to keep a tight grip on inventories.

These days it's flying high again: its shares have moved from 178p to a recent high of 842p over the past 12 months; profits rose to £9.8m from £1.8m, while sales increased 50 per cent to £69m.

Now Max has been adopted by a television production company: 40 half-hour animations are booked for the US, Bluebird's second biggest market.

The appointment of Burgin, who has an 18-year background in the industry with toy giant Hasbro, ultimately as Hasbro UK's group sales and marketing director managing brands such as Trivial Pursuit, Action Man and Play-Doh, comes at a moment when Bluebird looks set to fly further.

## Non-executive directors

■ Walter Hayes is joining the board of Dagenham Motors, the London and south-east of England Ford dealer group, as a non-executive director.

Hayes, once-upon-a-time editor of the Sunday Dispatch, vice president of Ford Motor, deputy chairman of Ford of Europe and close confidant of Henry Ford II, retired from Ford in 1989, aged 65.

Having written "Henry", a biography of Henry Ford II, he returned to the Ford world in 1990 as a member of the board of Aston Martin, the UK luxury sports car maker, which he helped persuade Ford to take over in 1987.

As executive chairman of Aston Martin from 1991 he has been instrumental in transforming the often-chequered fortunes of the sports car group with the development of a new range of sports cars, the Aston Martin DB7, which goes into production next month.

Hayes, 70 in April, has just retired from the Aston Martin chairmanship but remains as a non-executive director.

■ Chris Greig, who was chief executive of Invergordon Distillers until it was taken over by Whyte & Mackay, a subsidiary of American Brands, last November, is returning to the whisky industry. He has become a non-executive director of William Grant & Sons, the family-owned company which makes Glenfiddich, the UK's leading single malt.

Greig says it feels good to be back with "a Scottish independent", William Grant being one of the last big players in the Scotch whisky industry to fit that description. "Being entirely owned by the Grant family allows it to concentrate on building a long-term, quality business without the distractions which takeover bids create," he says.

William Grant only recently decided to appoint non-executive directors. Earlier this year it brought in Patrick Thomas, managing director of Hermes in Paris.

The 59-year-old Greig, who led the 1988 management buy-out of Invergordon from Hawker Siddeley and floated it in 1990, has also joined the board of Robert Wiseman Dairies, the Scottish liquid milk processor and distributor which is coming to the stock market this month.

■ Oleg Popov, director-general of Zarubezneft, a Russian state oil company, has joined the board of directors of Aminex, a small exploration and production company quoted on the Irish exploration securities market.

Zarubezneft owns 49 per cent of East West Oil, which in turn owns almost 40 per cent of Aminex, which is involved in a production project in the Komi Republic.

Brian Hall, the chairman, says the strong Russian involvement in Aminex has opened doors for the company in that country. Popov will be the second Russian on a Aminex's board.

■ Shiraz Malik-Noor, the chairman and chief executive of the USM-quoted Royal Jelly company Regina, has parted company with the other members of the board over "a difference in management style". Despite announcing increased turnover for the opening six months last month, Malik-Noor said then that it was not possible to sustain the increase. The company aims to appoint a non-executive chairman and a further non-executive director very soon.

## Other non-execs

■ James Wallace, group finance director at Pifco Holdings, at BODYCOTE INTERNATIONAL.

■ Nils Taube has resigned from ST JAMES'S PLACE CAPITAL.

■ Colin Wilkinson, marketing manager at Energis Communications, at EIDOS.

■ Michael Boohan, a former partner at Grant Thornton, at TIME PRODUCTS.

■ Roger Graham, former chairman and chief executive of the BIS group, and Anthony Reeves, former chairman of Lifetime Corporation, at COMPUTER PEOPLE.

■ Frank Frame, former deputy chairman of HSBC, at EFM DRAGON TRUST.

■ Errol Verjee, chief executive of Abacus group, at BLACKS LEISURE GROUP.

■ Peter Coster (below), former md at C&G Guardian, at THIRD WAVE SYSTEMS.

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Hewlett-Packard is in good shape but its chief executive is fighting complacency. **Louise Kehoe** reports

# Change while you are ahead

Compared with his peers in the computer industry, Lew Platt seems to have a soft number. When he became chief executive of Hewlett-Packard in October 1992, the US company's revenues and operating earnings were growing strongly, while other large computer companies were suffering heavy losses.

Yet Platt is not taking life easy. "One of the tremendous advantages that I've had is that HP was in fundamentally good shape when I took on this job," he says, "but we can't let ourselves become complacent".

The fear of being lulled into a false sense of security by HP's current success is almost an obsession for Platt. "People ask: 'What do you think about when you're in the shower or shaving?' Well, I think about how easy it is to just keep doing what you are doing today for a little bit too long.

"General Motors, Sears, International Business Machines were the greatest companies in their industries, the best of the best in the world. These companies did not make gigantic mistakes. They were not led by stupid, inept people. The only real mistake they made was to keep doing whatever it was that had made them successful for a little too long."

Resistance to change is the root cause of the demise of industry-leading companies, Platt believes. "The real secret is to build an organisation that isn't afraid to make changes while it is still successful, before change becomes imperative for survival."

For HP, however, there is a strong temptation not to "rock the boat". It recently overtook Digital Equipment to become the second largest US computer company in terms of revenues. It is now the world market leader in "open systems" minicomputers, computer printers, and test and measurement equipment. It ranks second in the market for computer workstations and eighth in personal computers.

But getting there was not easy. HP went through a rough patch in the late 1980s and 1990 as it cut back its workforce, reduced bureaucracy and reorganised its operations several times in search of an efficient structure.

With hindsight, it seems that HP was ahead of its competitors in making difficult adjustments to fundamental changes in the computer market. It "anticipated well necessary changes in technology", says John Jones of Salomon Brothers, the US broking house.

HP was in the forefront of the shift from proprietary computers to "open systems" based on industry standards. The company was the first to implement Reduced Instruction Set Computing (Risc) technology in mid-range and mainframe computer systems, providing high performance at lower costs.

HP has also been faster to come to terms with an industry-wide decline in gross profit margins as computer prices fall. Over the past five years, its operating expenses have declined from more than 40 per cent of revenues in 1988 to 28 per cent in the first fiscal quarter of 1994 (which ended on January 31).

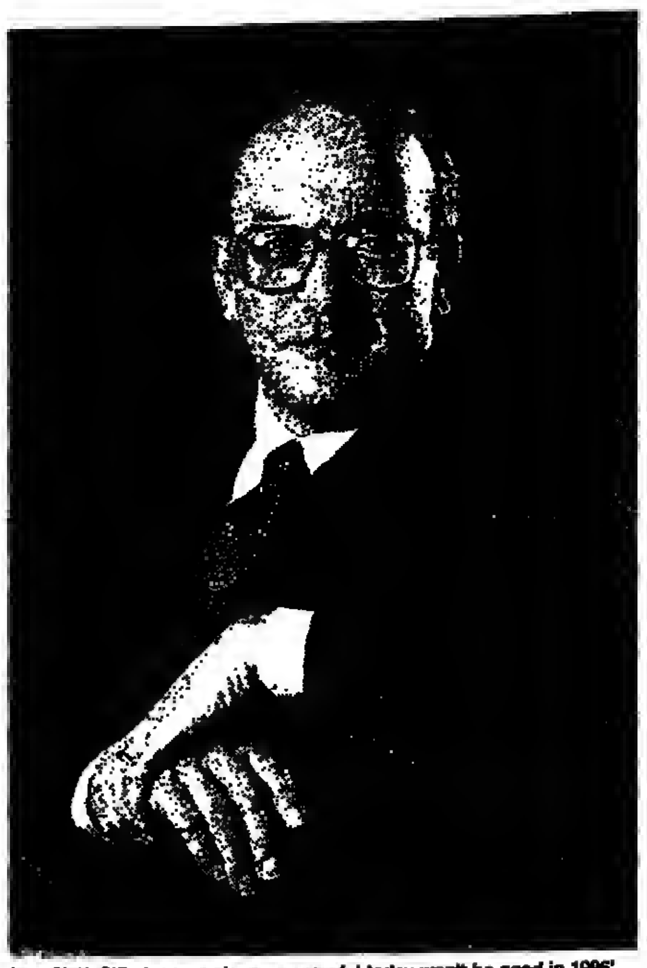
Achieving a "leadership cost structure" in each of its businesses is a top goal. "Each business has to stand on its own, be profitable and finance its own growth," says Bob Wayman, chief financial officer. "You make investments and take your losses for a period, but then you have to test the viability of a business by its profitability."

One of HP's core strengths may be that it is founded and run by engineers who enjoy inventing products. In contrast to its largest competitors, HP brings new technology to market – even at the risk of cannibalising sales of its existing products – to maintain competitive advantage.

"Withholding technology or the next price cut may seem like a good way to maximise profit margins, but it's a deadly game," says Platt.

Under Platt's leadership "HP" now also stands for what he calls "healthy paranoia". Managers are urged to be "always looking over your shoulder at the competition, always thinking about the next move".

In HP's prize printer division, this is practised almost to a fault. "We sometimes tend not to celebrate our successes as much as we should," says Rick Belluzo, head of HP's Computer Products Organisation, which includes printers and personal computers. The risk is that by focusing too much on competition, HP could lose sight of what customers really want.



Lew Platt: 'Whatever made us successful today won't be good in 1996'

If success has not created a more relaxed environment at HP, it does at least allow top managers to concentrate on long-term market and technology trends. Platt has initiated a drive to create products and businesses that take advantage of the company's unusual combination of technology expertise in measurement, computing and communications (MCC) – or "MC squared" as he calls it.

Last year, he created an MCC council, composed of top technical and marketing staff from throughout the company, to identify potential new "multi-disciplinary" products. "We're hunting for big game," says Joel Birnbaum, head of HP's research laboratories.

To make the most of its different technology groups, Platt is encouraging "cross-organisational collaboration". The booming telecommunications market, for example, is addressed by a marketing team drawn from both the computer systems organisation and the test and measurement business. Similarly, in sales and product development, geographic and business organisation boundaries are being breached.

Platt admits he is unsure whether HP will have to create divisions to formalise these "virtual organisations" at some point. For the moment, however, he seems to be resisting the inevitable upheaval of a reorganisation. In his 28-year career at HP, he has seen too many.

That does not mean that he is not shaking up HP. "Whatever we're doing that made us successful today won't be good in 1996, I can guarantee that," he tells his staff. "It might work in 1994. Maybe it'll even work in 1995, but it will kill you by 1996."

## From microwave to multimedia

Over the past three years Hewlett-Packard has transformed its oldest business into the "point division" for its charge on to the multimedia information superhighway.

The Stanford Park division grew directly from HP's roots in the scientific instruments venture formed by Bill Hewlett and David Packard 55 years ago. "We still had engineering drawings in our manufacturing area with Bill Hewlett's signature," recalls Jim Olsen, who heads the newly-named Vid group (Video Communications Division). "We've gone from selling microwave instruments to gearheads [engineering types] to selling video equipment to men with ponytails and earrings – artists, editors and film producers."

Vid has become a symbol, within HP, of the capacity to adapt to change. It is also at the forefront of the company's efforts to draw on the diverse expertise of its various business groups to create products.

Vid is still part of HP's test and measurement instruments organisation, but it worked closely with the printer divisions to create the first "video printer", producing paper copies of video images that can be used to speed up editing. Similarly, Vid's "video server", a video juke box for interactive television services, incorporates measurement, communications and computing technologies from various parts of the company.

As the market for multimedia communications products develops, HP may need to create a business group to focus on it. For the moment the company prefers to form ad hoc collaborative "cross-organisation" teams rather than restructuring its operations.

"If we reorganised HP today to formalise how the divisions work together it could waste a lot of time," says Olsen. The biggest change in moving from microwave to multimedia, he says, has been the accelerated pace of business. "Product development cycles used to be two to five years, now it is six to nine months." When speed becomes critical, corporate structures take a back seat.

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## When less could mean more

**Christopher Lorenz** on a shake-up in the funding of UK design

The maxim that "less is more" has always provoked controversy among designers.

It was coined early this century by the fathers of the modern movement to convey the principle – often challenged since – that the best design is always lean.

As from this week, designers in Britain, and their corporate clients, are being asked to accept the maxim in a different sense: that annual government design grants totalling £6m will actually be more effective than the £7.5m given for the last few years.

The cut is being accompanied by a shake-up in the way the government promotes design in industry.

The workforce of the government-funded Design Council, which provides design services direct to industry, is being cut to about 50 people, less than a quarter of its present size.

Its provision of consultancy and other services is being transferred to the Department of Trade and Industry's nascent network of multipurpose business service centres, known as Business Link. The Design Council will become a research, education and campaigning organisation.

When the government first outlined these moves six months ago, it seemed that less would mean less.

At that stage, the DTI wanted to cut the Design Council's annual grant to about £3m from £7.5m. It also planned to give no extra funds to Business Link, in spite of the expansion of its remit to include the council's previous services to industry.

Then Michael Heseltine, trade and industry secretary – who was ill at the time of last autumn's announcement – decided that if Business Link were to take on the extra services, it needed more resources. Hence this week's decision to commit an extra £2m a year to Business Link over the next three years, taking its 1994-95 budget from £17m to £19m. Together with the provision of an extra annual £1m to the "new" Design Council, this mitigates the cut in the government's overall spending on design support to 20 per cent.

Within the new total, the "less is more" principle will apply: only about £1.5m a year will be spent on Design Council fixed costs and overheads, compared with more than £6m in the current year, leaving more funding for design research and promotion.

Behind Heseltine's intervention, it is understood, lies his recognition that in increasingly tough international markets, high quality and good service are becoming mere qualifications for competing; they differentiate one product from another far less than they did as recently as the late 1980s. As a result, design is becoming a much more important "differentiator" in all sorts of industries.

One example of this is the remarkable success of the Rover 600 series of cars in Britain, and, increasingly, other parts of Europe.

The model is identical to its sister car, the Honda Accord, except in its interior and exterior design cosmetics, yet these give it a very different character. This has helped it to outsell the Accord in the UK. The Rover 600 is one of six products to win the Design Council's annual transport awards, announced yesterday.

A string of examples where industrial design has had a far-reaching impact on successful products went on show last week at London's Design Museum*. All the products – except for the Rover – are made by Japanese companies, but with considerable input by British designers.

Exhibits include NEC's UltraLite Versa Notebook Computer which has more than quadrupled the Japanese company's share of the booming US notebook market from 2.5 per cent since its launch a year ago. NEC attributes much of the product's success to its modular design, on which the company has received considerable assistance from IDEO, an Anglo-American design consultancy.

*Designed in one – made in the other: new products of collaboration between Britain and Japan.*

# Wide appeal of intimate Danes

***Paul Jeromack** reviews two rewarding exhibitions at the Metropolitan Museum, New York*

Thirty years ago, the thought that any large American museum would want to exhibit, let alone *collect* paintings by obscure early 19th century Danish artists would be considered a joke along the lines of "Masterpieces of Bulgarian Portraiture" or "Albanian Landscape Painting". The whims of the art market and the resourcefulness of scholars have combined to change all that, as can be seen at the Metropolitan Museum of Art in the exhibition *The Golden Age of Danish Painting* (till April 24).

Although Danish paintings has always had a small band of admirers and supporters (a Danish show was held at the Jeu de Paume in Paris in 1928) attention was closely paid only during the market boom of the late 1970s and early 1980s, when forgotten or neglected painters or schools were seized upon by an art trade hungry for novelty and quality and a surplus of eager graduate students and museum curators. In addition, Danish pictures benefited from the emergence of Biedermeier as a "hot" style of interior decoration, their small scale and attractive secular subjects making them the perfect size for intimate rooms of penthouse apartments.

By the mid-1980s, 19th-century Danish painting became chic, promoted by fashionable galleries in New York and London. Mindful of their heritage, the Danes made it increasingly difficult for foreigners to obtain export licences for top Danish works, making the available supply increasingly expensive – which of course, added to their appeal. Following the dictum that "if it's expensive it must be worth buying", museums including the Louvre, the National Gallery, London, and the Cleveland, Metropolitan and Getty museums belatedly began to acquire their first Danish paintings.

In 1984/85 the Grand Palais and the National Gallery, London, hosted the inevitable exhibition Danish Painting: the Golden Age, and ten years later, it is the Metropolitan's turn following its premiere at the Los Angeles County Museum. The LA/Met show is tighter and more coherent than the 1984 exhibition, with masterpieces attractively displayed in five intimate galleries painted in fashionable Biedermeier colours of plum, coffee and green.

The "Golden Age" of Danish painting was relatively brief, lasting only the first 50 years of the 19th century ironically coinciding with an unusually bleak spell of economic depression and political unrest in Denmark. Although most Danish artists made the inevitable trek to Rome, producing many brilliant oil-sketches of the Italian countryside, once back home they concentrated on depicting pleasant scenes from daily life, sea vistas filled with ships with blindingly white sails, landscapes of the countryside, and numerous portraits.

Perhaps the most various of them was Christoffer Wilhelm Eckersberg (1783-1853), a pupil of David in Paris who is represented at the Met by all of the above, plus a small history painting of "The Return of Odysseus"; several superb male and female *academies*; and a disquieting moonlit view of a bridge down which people are running while two women point with alarm to a scene outside the picture: the catalogue assumes it to be a fire or an attempted suicide.

Eckersberg's student, Christen Kobke, now considered the leading figure of the time, is a more sensitive artist, whose rendering of light and atmosphere are unsurpassed – as can be seen in his two extraordinary views of the "Small Tower on Frederiksborg Castle" and the hazy summer "View of Dosseringen with a Group of Rushes in the Foreground".

*

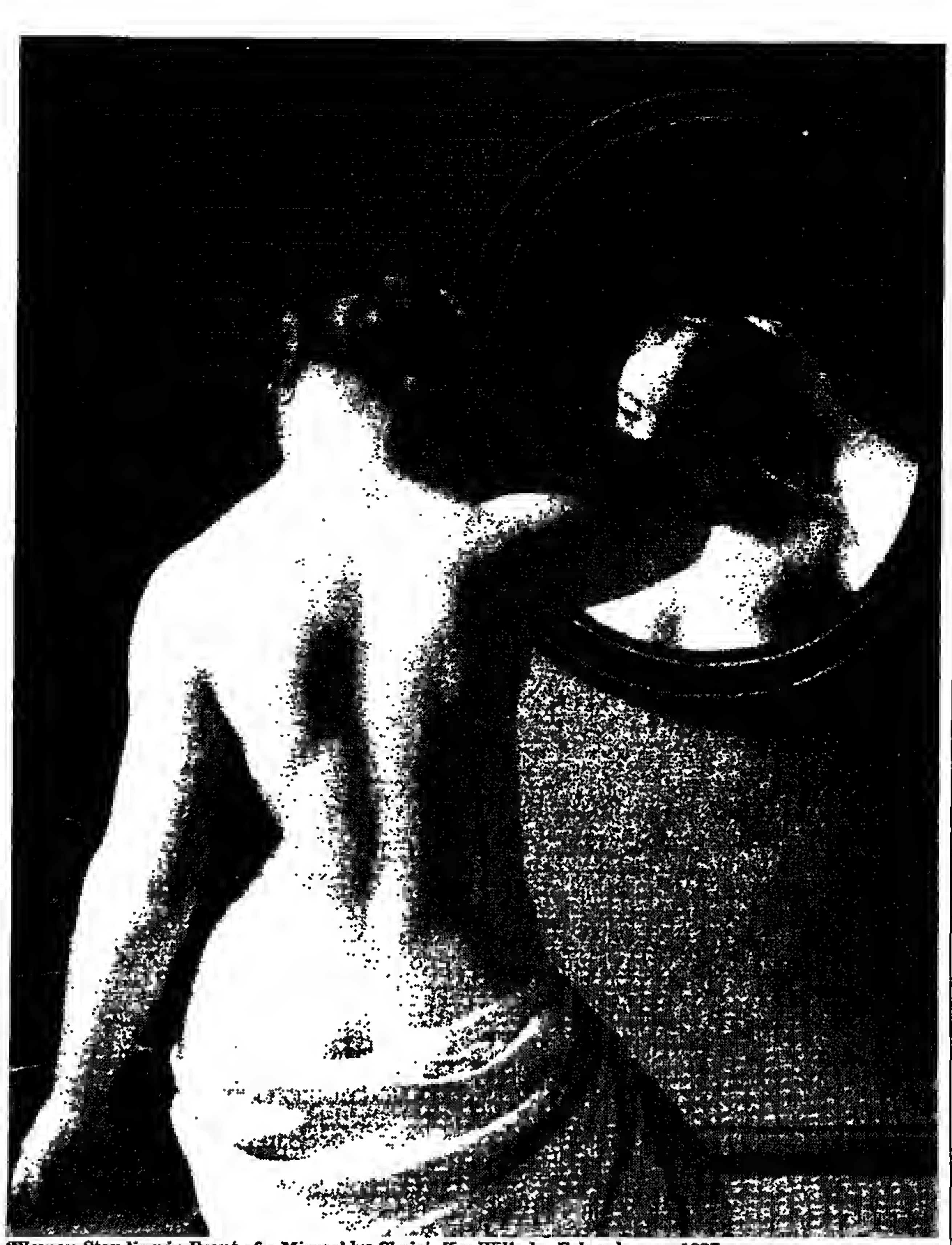
Running concurrently with the Danish show is *Caspar David Friedrich to Ferdinand Hodler: A Romantic Tradition*, comprising of 19th-century German and Swiss paintings from the Oskar Reinhart Foundation, Winterthur (closes April 24, reopens at the National Gallery, London, on June 15).

Even among many sophisticated collectors, most German art has been tainted by innocent association with the cultural politics of Nazism, which celebrated the "noble Aryan" artist from Durer down. Official Nazi propaganda took its cue from much German 19th-century painting, and when the Metropolitan bravely hosted an exhibition of this neglected period in 1981, it was ignored by the public.

In the face of public indifference, the Metropolitan gets credit for trying German art once again, but unfortunately it is hindered by the private, uneven quality of the Reinhart pictures, which, as presented, will win no new fans for this esoteric material.

Unhappily hung on white walls in several large, sprawling galleries, the Reinhart show is twice as large as it should be, padded and diluted with a distressing number of uninspired work by mediocre painters and minor works by major artists: the Reinhart Fuseli, "Jealousy", is dreadful, inferior to the the Met's own "Lapland witches".

Despite this, there is much to give pleasure and several welcome surprises: notably the landscapes of icy glaciers and valleys in the Alps by the late 18th-century Swiss, Caspar Wolf, and the crisply painted, sun-drenched landscapes of Italy and Salzburg by the Austrian Ferdinand Georg Waldmuller. Friedrich is shown in seven examples, highlighted by the famous "Chalk Cliffs on Rugen". A superb vista of the Unter den Linden in Berlin in 1852 by Eduard Gaertner is a worthy successor to Bellotto's views of Dresden and Warsaw.



'Woman Standing in Front of a Mirror' by Christoffer Wilhelm Eckersberg, c.1837

Genre painting is represented by the English city and country views by the Swiss Jacques-Laurent Agasse and by the small equestrian canvases (populated with doll-like figures) by Wilhelm von Kobell.

After the mid-19th century, much of the individuality of German painting was lost as influences from France gradually took hold. Some artists, like Wilhelm Leibl, were talented enough to translate Courbet's earthy realism into an individual and incisive style, as seen in two fine portraits and a large political genre scene of careworn peasants consulting a land register, but more often than not, the loose brushwork of Manet or Monet becomes a sloshy and unconvincing mannerism in the hands of Frank Bucher, Max Liebermann, Max Slevogt, Fritz Schider or Fritz von Uhde.

After this, the innovative work of Arnold Böcklin, and especially Ferdinand Hodler, are a blessed relief, both painters owing little or nothing to French influence. Rather, Hodler's female portraits, the "Convalescent" of 1880 and the "Portrait of Louise-Delphine Duchosal" of 1885 anticipate Picasso's rose period of some 20 years later; and his extraordinary "Surprised by the Storm of 1886", where six fashionable ladies and gentlemen in a tiny boat form an interlocking chain of icy terror as they cling to each other as the menacing waves rise about them, recalls the tortured compositions of Stanley Spencer and Paulo Rego.

Theatre

# Three old ladies

Rodney Ackland was a friend and admirer of the young Alfred Hitchcock when there were still silent movies. That is the key to the sensational revival of Ackland's play, *The Old Ladies*, at Greenwich. Even Hitchcock would have been impressed by Annie Castledine's production. It is the first time that I have felt goose-pimples in the theatre.

Ackland described in his memoirs, *The Celluloid Mistress*, how he borrowed the story from the novel by Hugh Walpole. He was so excited at the prospect of producing of a great milestone in the art of the cinema that at first he failed to tell Walpole what he was doing.

*The Old Ladies*, he wrote, "seemed intensely cinematic: it offered tremendous scope for warning shadows, huge close-ups of hands and feet and faces, and the use of ever such significant angles and symbolic objects." Thus Ackland wrote the script with only one word of dialogue. It came when Miss Berringer, an elderly spinster, was so terrified by her gypsy-like neighbour, Agatha, that she cried "Jesus!" and then fell dead.

Walpole, when informed, suggested that it might be more lucrative to try a play before a movie. Ackland complied with this stage version. John Gielgud agreed to direct and Edith Evens to star. The piece had a decent but not spectacular run in the West End in 1935. The movie never materialised.

That was the cinema's loss. Hitchcock could have picked up *The Old Ladies* just as Hollywood pursued Patrick Hamilton's *Rope* and *Gaslight*, which are similar psychological thrillers from the same period. Ackland, like Hamilton, is now making a comeback in the theatre.

The tension in the Greenwich production is almost unbearable. It comes at least as much from the set, the lighting and the accompanying sound effects as from the acting and the plot. For the plot is pretty well non-existent.

Here are three elderly ladies together in an old house in Polchester, which might be Colchester or any place around the southern English coast. Two of them dislike each other. Yet it is a tribute to the play that you never quite lose the suspicion that it may be Lucy, the amiable one in the middle, who is the most unhinged.

Nor do the ladies, by today's standards, seem especially old. They are just three different people, trapped in the same surroundings. Iona McLeish's two-tier set features a central staircase: the bedrooms of the two disputing women are at the top. Agatha, the gypsy lady played by Miriam Karlin, is slightly lame. Anything that happens on or around that staircase is electric. Even when the lights are out, Agatha is always stirring. The shadows that Ackland envisaged for a movie version are all over the house.

The technique is teasing. No-one falls down the stairs. The references to drinking the last drop of coffee or tea are a decoy, for no-one is poisoned either.

There is no premeditated murder. This might almost be normality in Polchester, which as in the best of Hitchcock is precisely what makes *The Old Ladies* so haunting.

The *only* failing in Ms Castledine's production is probably not her fault. The end is not quite as dramatic as the rest of the play has led you to expect. Yet coming after nearly three hours, which seem to pass like 30 minutes, that it is a small fault. It may even be deliberate: after so much suspense, why not conclude on a note of anti-climax?

Doreen Mantle plays Lucy with great gentleness, including a reading from Tennyson. Ms Karlin's Agatha is genuinely frightening, and so is Faith Brook as the terrified spinster – but for her frailty not her strength.

**Malcolm Rutherford**

Greenwich Theatre until April 2. Tel: (081) 858 7755

Opera/David Murray

# Fresh view of old Franck

The Belgian composer César Franck wrote four operas, the first and last left unfinished. Not many people know that; and amongst those who do, it rarely crosses their minds. Franck's operas seem to be not just dead, but extinct. Yet all but the most grudging music-lovers will agree that his violin sonata and the Symphonic Variations – not to mention the other chamber music, the symphonic poems, the evergreen Prelude, Chorale & Fugue for piano and the D minor symphony our parents loved – prove him a considerable master. Why has his sole full-scale opera *Hulda*, composed during the same "high period" in his early 60s as most of those, been denied serious attention?

University College Opera remembered it on *Tuesday*, thanks to their inquiring director David Drummond. (Last performances tonight and tomorrow, at the Bloomsbury Theatre.) Not only remembered, in French, but restored – in a recension which claims to give us the uncut original, minus a dispensable ballet-sequence. At its posthumous premiere, dimly received, *Hulda* suffered brusque amputations throughout, and only that version has been published.

Drummond has delved successfully to reinstate the lost parts. On the face of it, it had always seemed plausible that *Hulda* might be dead in the water. The play that Franck's librettist Crandmoujin adapted (by Björnstjerne Björnson, Norway's leading playwright until Ibsen) is a Viking tale of violent love and gory murder: not natural territory for the church-organist composer's decorous muse. It was easy to believe the judgments of *New Grove Opera*: "almost wholly lacking in genuina drama".

Live experience of the integral opera suggests something different. Yes, the influence of Wagner on the score reminds us that the Master would have pressed the murderous junctures harder, instead of letting them develop within a calm, formally deliberate view. But no, that *isn't* a simple weakness – not when tha structure of each act (five of them) is built so cogently to accommodate them within a cooller Gallic idiom. Smoothly, of course – Franck was an ultra-smooth constructor; but within his chosen guidelines, quite pungent enough.

The old cuts in every act, as Drummond details them in the programme-book, denied each of them its "symphonic" beginning, its middle and/or its end. In his sympathetic hands, the UCL account made us hear how much Franck's carefully rounded-off forms matter. Climactic passages which might seem tame, if detached from their contexts, struck home in their proper places. True, the mostly amateur band had its lapses in pitch and balance and the UCL choristers sometimes sounded relieved just to find themselves still on the beat.

The mostly young-pro soloists, however, strove to greater effect. As Hulda, wrenched by the Aslak tribe from a family whom they have slaughtered, Adele Paxton grew steadily toward tragic stature. Her faithless Aslak lover Eiolf had the lusty tenor (and portly frame) of the Australian Julian Cavin, in a russet suit that did him no favours. Her original captor was the baritone Tom McVeigh, toughly virile until his early demise. As her might-have-been Aslak in-laws, Helen Lawrence and Deryck Hamon discovered satisfying character in their roles.

All that was enough to make one appreciate how good and compelling Franck's score might seem in a full-blooded production that respected his period-constraints. Malcolm Hunter's plain staging, in Munch-inspired designs by Michael Spencer, goes a fair way towards that. If it stops short of gearing the action rigorously to the music, it goes far enough to show that *Hulda* is not a mere museum piece, but a vital period-exhibit. Well worth catching.

Sponsored by the Friends of UCL, the Royal Norwegian Embassy and Zeneca

*INTERNATIONAL*

# ARTS GUIDE

## Music in Florence

**The only staged opera at the 1994 Maggio Musicale Florentino, the festival organised by Florence's Teatro Communale, will be Luc Bondy's Salzburg production of Salome, with *Catherine Malfitano in the title* role. But three operas are performed in concert, and the line-up of orchestras and recitalists is more high-powered than recent years.**

**The festival opens on April 26 with the first performance by Italian forces of Schoenberg's Moses and Aron. Zubin Mehta conducts the Maggio chorus and orchestra, with Theo Adam and Thomas Moser in the title roles. Mehta also conducts the staged Salome, as well as two concert performances of Bartok's Duke Bluebeard's Castle and the Verdi Requiem. Semyon Bychkov will conduct Shostakovich's Lady Macbeth of Mtsensk (with Tatyana Poloektova as Katerina) and the closing concert on July 1.**

**Guest orchestras include the Oslo Philharmonic under Mariss Jansons, the Bamberg Symphony with Georges Prêtre, the Dresden Staatskapelle with Giuseppe Sinopoli and the Pittsburgh Symphony with Lorin Maazel. Markus Stenz conducts the Italian premiere of Henze's *Requiem*, and there will be recitals by Samuel Ramey and the Chung Trio.**

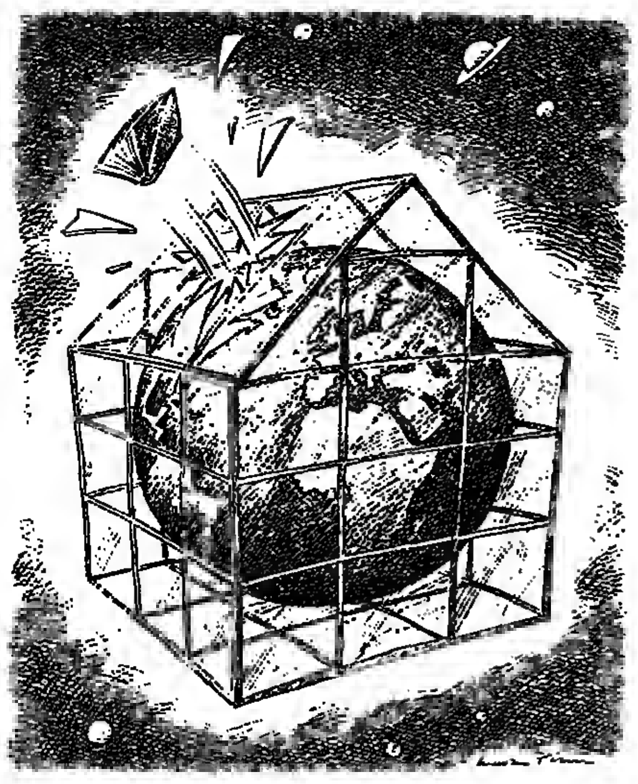
**The dance programme features Mikhail Baryshnikov's White Oak Dance Project and a new ballet for Carla Fracci choreographed by Gianfranco Paoluzi, set to music by Hindemith. *Fans of Bob* Wilson can look forward to a Noh theatre spectacle devised by the American director, entitled Dittico giapponese and set to music by Marcello Panni and Jo Kondo (Biglietteria del Teatro Communale: 055-211158).**

## ■ EXHIBITIONS GUIDE

**AMSTERDAM**
**Rijksmuseum** Dutch Figure Drawings 1700-1850. Ends May 1. Closed Mon
**Van Gogh Museum** Pierre Puvis de Chavannes: 150 portraits, still lifes, genre pieces and sketches by the 19th century artist whose murals grace many public buildings in France. Ends May 29. Daily
**BARCELONA**
**Fundació la Caixa** Willem de Kooning: 50 paintings, sculptures and works on paper by the key abstract expressionist painter. Ends April 3. Closed Mon (Centre Cultural, Passeig de Sant Joan)
**BRUSSELS**
**Musées Royaux d'Art et d'Histoire** Charles V: Royal Collections of Spain. Ends April 24
**Palais des Beaux-Arts** The Closed Garden of the Soul: works of art by women belonging to religious communities in the Low Countries from the 13th century. Ends May 22. Closed Mon
**EDINBURGH**
**National Gallery of Scotland** From Leonardo to Manet: 50 outstanding prints and drawings acquired over the past ten years. Ends April 17. Daily
**FRANKFURT**
***Deutsches Architekturmuseum*** Modem Architecture in Germany 1900-1950: Expressionism and the Neue Sachlichkeit. The exhibition, the second of three tracing developments in 20th century German architecture, focuses on the avant-garda utopias of the interwar years, aimed at meeting the needs of an era of political and social turmoil. Ends July 3. Closed Mon
**Schirn Kunsthalle** Archaeological Treasures from Romania: 500 objects documenting 6,000 years of history, *including weapons*, jewellery, gold and silver. Ends April 17. Daily
**Museum für moderne Kunst** On Kawara (b1933): seven paintings and 62 drawings by the Japanese conceptual artist. Ends May 15. Closed Mon
**Kunstmesse** Frankfurt's annual art fair takes place from March 23 to 27, with an emphasis on postwar art.
**GLASGOW**
**McLellan Galleries** The Bigger Picture: a celebration of 400 years of Scottish painting. Ends April 4. Daily
**Hunterian Art Gallery** The Italian Renaissance Print: works by Mantegna, Barocci, Annibale Carracci and others from the Hunterian's collection. Ends April 23. Closed Sun
**LONDON**
**Royal Academy of Arts** Goya: 100 small-scale paintings covering his entire career, including sketches for major altarpieces, portraits, self-portraits, cabinet pictures and miniatures on ivory. Ends June 12 (advance booking 071-396 4555). Masterpieces from the George Ortiz *collection of antiquities. Ends April* 6. The Unknown Modigliani. Ends April 4. Daily
**Hayward Gallery** Salvador Dali: The Early Years. Ends May 30. Daily (advance booking 071-928 8800)
**Tate Gallery** Picasso: 200 works focusing on the relationship between sculpture and painting. Ends May 8. Daily
**National Gallery** Claude: The Poetic Landscape. Ends April 10. Daily
**Victoria and Albert Museum** *Fabergé: 350 treasures from* imperial St Petersburg. Ends April 10. Daily
**British Museum** The Study of Italian Drawings: a tribute to the lata Philip Pouncey. Ends April 24. Daily
**National Portrait Gallery** Holbein and the Court of Henry VIII. Ends April 17. Daily
**Whitechapel Art Gallery** Medardo Rosso (1858-1928): retrospective of the Italian Impressionist sculptor. Ends April 24. Closed Mon
**LYON**
**Musée des Beaux-Arts** The Romantic Movement in France: paintings, sculptures, drawings and engravings from tha museum's rich collection of works by Charlet, Delacroix and others. Ends June 19. Closed Mon and Tues
**MADRID**
**Centro de Arte Reina Sofia** Joseph Beuys (1921-86): 10installations, 25 sculptures and 456 drawings by one of the most controversial figures in postwar German art. Ends June 6. Closed Tues
**MILAN**
**Palazzo Reale** The Goths: the *exhibition aims to shed light on* a mysterious people, with new material dating from the first to the fourth centuries, on loan from the St Petersburg Hermitaga and museuma in Poland, Moldavia and Ukraine. Ends May 8
**NEW YORK**
**Museum of Modem Art** Frank Lloyd Wright: architectural fragmants, full-scala constructions, scale models and 350 original drawings. Ends May 10. Closed Wed
**Metropolitan Museum of Art** Tha *Decorative Arts of Frank Lloyd* Wright. Ends Sep 4. Degas Landscapes. Ends April 3. The Golden Age of Danish Painting 1780-1850. Ends April 24. 19th century paintings and drawings from Germany and Switzerland. Ends April 24. 16th Century Italian Renaissance Drawings in New York Collections. Ends March 27. Closed Mon
**Guggenheim Museum** Frank Lloyd Wright's Designs for the Guggenheim Museum. Ends May 20. The main museum is closed on Thurs, the SoHo site on Tues
**PARIS**
**Salon de Mars** The annual art market at Champ de Mars opens today and runs till March 27. Under a vast tent between tha Eiffel Tower and the Ecole militaire, the Salon brings together African sculpture and art deco furniture, medieval icons and abstract paintings. Daily till 9pm, Thurs till 11pm (Place Joffre, métro Ecole militaire)
**Mona Bismarck Foundation** Early Italian Peoples: pottery, jewellery, bronze statuettes and arms, showing the diversified artistic expression of the inhabitants of *central and southern Italy from* 3000 to 300 BC, overshadowed until recently by Etruscan civilisation. Ends May 17. Closed Sun and Mon (34 quai de New York)
**Louvre** Egypt'a Role in Western Art 1730-1930. Ends April 18. Closed Tues
**Petit Palais** Art of the Tainos Sculptors: 85 pre-Columbian masterworks in stone and wood. Ende May 29. Closed Mon
**Centre Georges Pompidou**The City, Art and Architecture in Europe 1870-1993. Ends May 9. Closed Tues
**SAINT-ETIENNE**
**Musée d'art moderne** Ben Nicholson: retrospective of the British abstract artist. Ends April 25. Daily
**STOCKHOLM**
**Nationalmuseum** French Symbolism: a conspectua of the entire movement, from Pierre Puvis de Chavannes, Gustave Moreau and Odilon Redon to Paul Gauguin, the Nabis and early Art Nouveau. Ends April 24. Nordic Profiles: Danish, Norwegian, Finnish and Swedish design of today. Ends April 30. Liv Derkert (1908-38): 70 paintings by the Swedish modemist who died tragically young. Ends May 8. Closed Mon
**STUTTGART**
**Staatsgalerie** Picasso: a rare showing of 400 prints from a *private collection, including* portraits, still lifes and other themes. Ends June 19. Closed Mon
**WASHINGTON**
**National Gallery of Art** Egon Schiele: 70 works by the leading figure of Austrian Expressionism. Ends April 24. The Age of the Baroque in Portugal. Ends April 3. Ruth Benedict Collection: 78 prints and drawings from the 16th to 20th centuries, including works by Rembrandt, Canaletto, Tiepolo, Daumier and Moore. Ends June 12. Daily
**National Museum of American Art** Thomas Cole: 70 works by the father of tha Hudson River school of painting, revealing his use of landscape and allegorical history paintings to comment on society. Ends Aug 7. Daily
**Phillips Collection** Brancusi: photographs and sculpture by the Romanian-born modernist. Ends April 17. Daily
**ZURICH**
**Kunsthaus** Richard Gerstl (1883-1908): 70 portraits and *landscapes by the least known* of the great Viennese Expressionists. Ends May 8. Friedrich Durrenmätt: paintings and drawings by the Swiss author who died in 1990. Ends May 18. Closed Mon

# Greenhouse faces stoning

## Is global warming really such a threat, asks **Bronwen Maddox**



For the past five years global warming has been high on the world's list of environmental worries. Outstripping other "green" concerns in the scale of its potential impact and in the complexity of its causes, it has offered the environmental movement some of its grandest images of apocalypse.

Industrialised countries took the threat so seriously that they made curbing emissions of carbon dioxide and other gases the target of a treaty negotiated at the Rio Earth Summit in 1992. On Monday, that treaty becomes international law, following ratification by more than 50 countries; signatories will now have to draw up plans for curbing emissions. This week in Geneva, the United Nations has wrestled with proposals for a fund to help developing countries cut emissions too.

However, this legislative and bureaucratic effort is misguided, according to *Global Warming: Apocalypse or Hot Air?*, published this week by the Institute of Economic Affairs. The authors, Roger Bate and Julian Morris, are economists at the institute, a free-market think-tank. The introduction by Wilfred Beckerman, an Oxford economist fond of tilting at environmental exaggerations, urges resistance to the "cohorts of eco-doomsters who warn us we are living on the edge of the abyss".

Bate and Morris acknowledge that the science which underpins predictions of global warming is not in dispute. Physicists agree that some gases, including carbon dioxide, now referred to as "greenhouse gases", can trap heat which is emitted from the earth's surface and so prevent it passing into space.

The authors take issue, however, with the hypothesis that, if greenhouse gases build up in the atmosphere, the planet will warm up. The four leading models of climate change used worldwide suggest that, if carbon dioxide levels double, the world will warm up by between 1.9°C and 5.2°C from existing levels.

Among other criticisms, Bate and Morris say such climate models cannot fully explain the warming of about 0.5°C that appears to have taken place this century. Instead, warming may be occurring because monitoring stations are located near cities, which have been getting larger and warmer, they suggest.

These complaints are rejected by scientists studying models of climate change, such as Bruce Callander, head of the working party which weighs up scientific research for the United Nations Intergovernmental Panel on Climate Change. In his view: "It is naive to bring up urbanisation as a problem, because it is recognised and has been thoroughly addressed."

Callander acknowledges that the models have many shortcomings. The behaviour of clouds remains the "single biggest uncertainty", he says; modellers are not sure whether clouds speed up warming or slow it down. But he adds: "The modellers themselves are the models' greatest critics."

Scientists admit that the global warming hypothesis is unproven, and that they will need years of further data to know whether predictions are accurate. The authors exaggerate the degree of scientific certainty and do not succeed in establishing that the threat of warming should be dismissed.

They are on stronger ground in looking at ways in which economists have tried to compensate for the imperfect state of scientific knowledge in formulating policy.

The pamphlet deftly picks holes in the green lobby's favourite claim that measures to improve energy efficiency are a "no-regrets" policy, providing benefits such as cheaper fuel bills as well as curbing emissions. The authors maintain that, if savings from investing in energy efficiency outstripped the costs, companies and households would have made those changes already.

They home in, too, on the spurious precision of "cost-benefit analysis" – the technique of comparing the costs and benefits of a particular policy before deciding whether to proceed. The estimates are necessarily tentative, yet are often used as firm predictions; the UK government's recent proposals to tax rubbish dumping are a case in point.

But as in their attack on science, the authors are shadow-boxing at targets which are less solid than they claim. For instance, the policies which the authors warn would slow economic growth have not been implemented. The Rio convention, in the watered-down form which finally received international consent, tells countries only to draw up plans for curbing emissions, not to make cuts. And although the authors rail against the European Union's proposals for an energy tax, they seem not to have noticed that the proposals are stalled, if not dead.

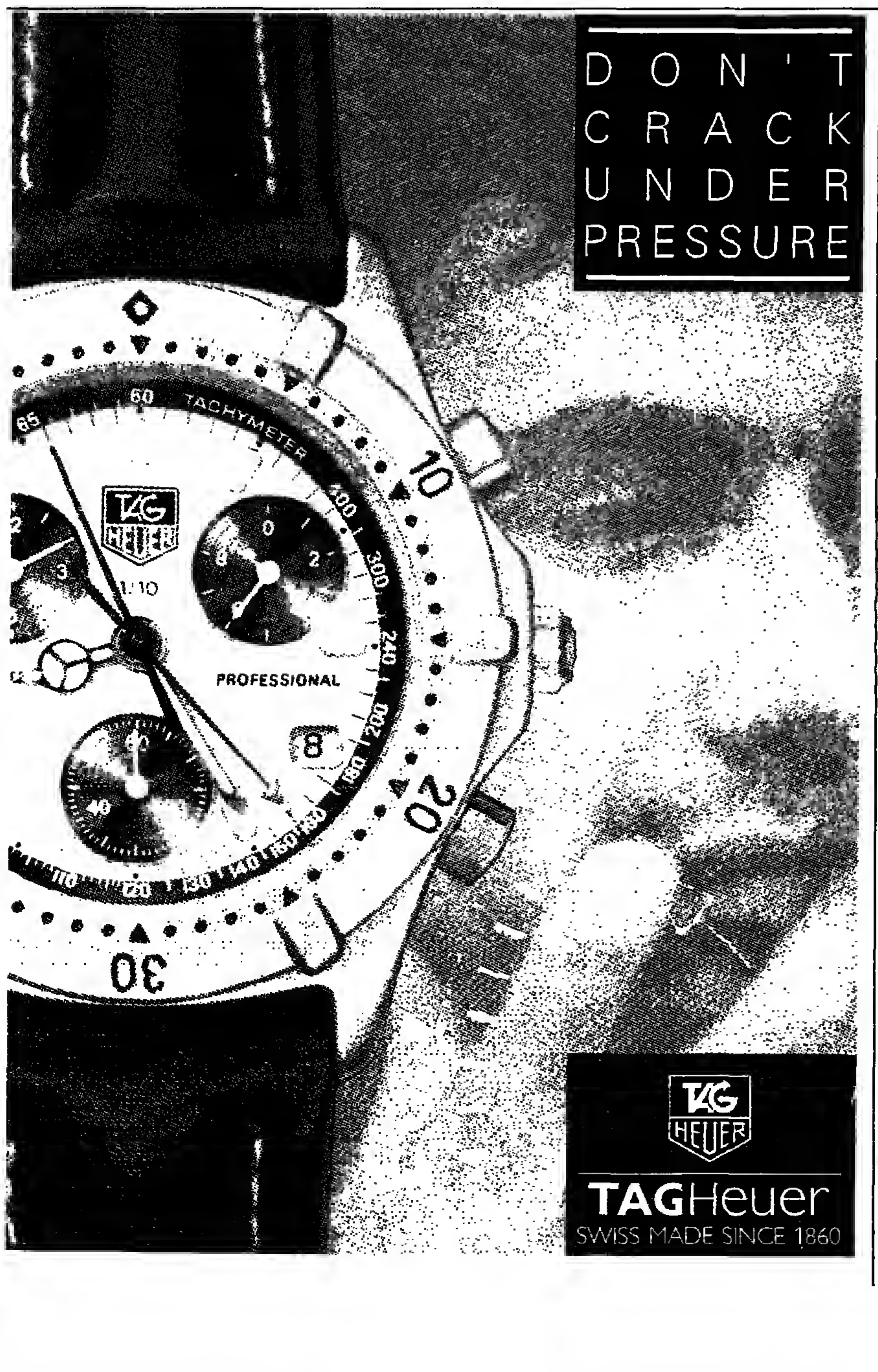
In addition, the pamphlet's only recommendation – dashed off in two paragraphs – is that all taxes and subsidies on fossil fuels should be removed worldwide. "This is likely both to reduce emissions and increase global economic output," Bate and Morris state baldly.

The shortcomings of their case are unfortunate, because scepticism about environmental scaremongering is welcome and all too rare. So is the reminder that, in pandering to green populism, governments can put in place policies which are counter-productive and expensive.

The Rio convention will encourage governments to grapple with the important question of whether any international agreement to curb carbon dioxide emissions can be binding. Such treaties are almost impossible to police, as the emissions of individual countries are hard to monitor. Further, countries may be tempted to avoid the inconvenience and cost of the curbs, provided they can be satisfied that they will benefit from other countries continuing to observe them.

The only contribution which could settle the global warming debate, however, is more data about climate change. In Callander's words, "in 10 years we may say [scientists' investigation] has been an interesting exercise which came to nothing, or we may say that we were recognising something important happening in the atmosphere. At the moment, though, [the threat] should be taken seriously."

*Global Warming: Apocalypse or Hot Air? Roger Bate and Julian Morris. IEA Studies on the Environment, 2 Lord North St, London SW1P 3LP; £5*




## Joe Rogaly

# A mirage on the left

The fact has to be faced: Mr John Smith may be our next prime minister. He could step into No 10 Downing Street in, say, April 1996. That is just two tax increases away. Peer into the crystal. The Scottish ascendancy triumphs, give or take an English name or two. Chancellor – Gordon Brown. Home secretary – Tony Blair. Foreign secretary – Jack Cunningham. Jack who? Never mind, it could be someone else.

This startling vision, this electrifying anticipation, is in the political air. No matter how much you shake your head, the notion that the Conservatives are approaching the end of their run will not be dispelled. The opinion polls, which so misled us in April 1992, have put Labour at 20 to 25 points ahead and kept it there. Their failure two years ago may not wholly invalidate their methods. Mr Smith's party is scoring well in traditional areas of Tory strength, such as management of the economy, taxation, and law and order. More to the point, we know without benefit of poll results that the Conservatives are no longer trusted. "Nobody believes a word we say," one of their senior advisers complained the other day. We do have a lamentable lack of faith, we who have been gulled, gulled and gulled again.

Most voters now appear to believe that Mr John Major's government will be thrown out next time. Yet where they place their crosses is more telling than what they tell interviewers. It is a fair assumption that the Conservatives will lose ground in the forthcoming by-elections. Not to mention the local elections in May and the European elections in June. If they do it will be difficult to resist the conclusion that Mr Major is unlikely to remain in office until the end of the century, as I once imagined he might.

The possibility that Labour will come back has been noted in Washington. When he visited the American capital last week Mr Brown and entourage were received by luminaries of the administration's economic team. A Labour party adviser was welcomed into the White House and shown around by the young heroes of Little Rock. It may be too much to suggest the president's political strategists will collude with Mr Smith's associates, in retaliation for the support given by the Conservatives to President Bush. Yet there is a political rapport between important individuals in the two parties that may pay dividends – unless President Bill Clinton is brought into irretrievable disrepute by the Whitewater affair.

**Smith's slow repositioning of his party is a most dangerous strategy. It leaves him vulnerable to a long, shallow Tory recovery**

The US Democrats are looking with interest at Mr Smith and, perhaps more particularly, at Mr Rudolf Scharping, the German Social Democratic party leader. If Mr Scharping joins, or heads, the German government after the election in October, Mr Smith should gain from the ensuing sense of momentum, the feeling that the reformed left in northern Europe is on its way.

It would be imprudent to allow this increasingly common fancy to determine Labour's political strategy. The bubble could so easily burst. There is no law that requires an election before April 1997. Opinion poll leads can melt away in an afternoon. Anything can happen in a period as long as 37 months. Mr Smith's slow-motion repositioning of his party is the most dangerous strategy he could have chosen. It leaves him vulnerable to a long, shallow, recovery of Conservative fortunes, capped by a surprise cut in taxation, a snap election during a period of optimism about the economy, and a campaign during which Labour's package of proposals, presented very late in the day, is easily dismissed.

The Labour leader clearly sees matters differently. Solid repositioning work is being done. Mr Tony Blair would make an excellent Conservative home secretary. His law and order speeches are more convincing than those of Mr Michael Howard, the present incumbent. They include an appeal to both reason and emotion. Mr John Prescott has been allowed to persuade the party that private investors should be persuaded to enter joint agreements with public authorities to finance specified projects. Mr Donald Dewar has distanced Labour from its previous, impossibly costly, pledges to increase state pensions in line with prices. His recent speech on this subject was thoughtful and pragmatic. He even managed to propose a way of introducing targeted benefits while affecting that there would be no means test involved. The trick is to top up pensions from three sources – state, private and occupational – to create a minimum retirement income at minimum cost.

Each of these is an instance of the steady build-up of reassurance that Labour needs. The proposition that the people's party may not be so bad after all has to be sold to a large number of separate constituencies, one by one. Mr Smith has put some markers down indicating what Labour would actually do, most notably in the field of constitutional reform. He would contemplate proportional representation only if Mr Paddy Ashdown's Liberal Democrats held a pistol to his head, but he is committed to a Scottish assembly. A bill of rights and a freedom of information bill could be introduced quickly and at no financial cost. A first step might be taken towards reform of the House of Lords, probably by excluding hereditary peers from the vote. A surprising number of appointed Tory lordships would support such a move today if Mr Major had the wit to propose it.

Mr Smith's supporters argue that, apart from maintaining the attack on the government, little more need be done than carry on with incremental changes in stance like those listed above. From Labour's point of view, they say, there is no alternative to lying low while the Tories continue to destroy themselves. Any other strategy comes up against questions that are impossible to answer – when will the election come? who will be prime minister at the time? will the Conservatives be united? what will they have on offer?

It is not good enough. The imperfections of the government combined with the uninspiring nature of the principal opposition party have contributed to a national mood of political despondency. All politicians seem equally reprehensible. Nothing on offer makes the heart beat faster. A new Labour paper promising to control public spending is entitled "trust and hope". British voters have lost trust. They seek in vain for a source of hope.

# LETTERS TO THE EDITOR

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Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## Malaysia: EU should unite against threat

*From Mr Mark Hudson.*

Sir, Clearly the government has decided that, in the case of the Malaysian government's embargo on giving contracts to UK firms, the best course is to adopt a low profile and hope it all blows over. And prime minister John Major and foreign secretary Douglas Hurd et al are right – this decision will be rescinded after a decent interval of time.

However, even from a business perspective, this mousey approach is not ultimately satisfactory, as it ensures that British business will be more likely in the future to be damaged by events and press reporting at home – if governments abroad see that they can use the trade weapon for political purposes with impunity, they are more likely to do so.

Outside the purely business arena, it is frankly astonishing that a tougher response, such as the threat of retaliatory trade sanctions, is not being pressed forcefully by all those concerned with basic freedom and democracy. The issue should be one in which the EU as a whole could unite to apply a major threat (though support for Britain is likely to be at a low point in Brussels due to the debacle over enlargement and the blocking veto).

Malaysia's prime minister Dr Mahathir Bin Mohamad (Letters, March 17) openly acknowledges that it is the perceived "vilification and libellous attacks" in the British press which he cannot stomach. He complains that "British newspapers are freely available in Malaysia", but that "Malaysian newspapers are not available to the British". In fact, Malaysian newspapers are freely available in the UK but are little read because the public does not choose to do so.

The Malaysian government's clear link between the trade sanctions it has imposed and the UK's free press is a direct attack on our freedom values. Dr Mahathir prefers the route of authoritarian force to that of debate. It may seem only a small affair, but the principles involved demand firmer action by the British government.

Mark Hudson,
*13 Englewood Road,*
*London SW12 9PA*

*From Mr John M B Asher*

Sir, Dr Mahathir Bin Mohamad's letter did Britain a service in challenging the public to stop buying papers which pander to our belief in our own self-righteousness and subtly appealing to xenophobia. His brilliant letter also deflected attention from a more serious matter.

Good government must create, operate within and uphold a framework of justice, a constraint which the press does not share. Penalising UK companies for the perceived sins of the London press is manifestly unjust, and does much greater damage to the reputation of Malaysia than The Sunday Times could ever achieve.

Dr Mahathir is a weighty word-smith. By all means take on our paper tigers in a war of words, but the injustice done to UK industry will prove a double-edged sword.

John M B Asher
*11 Merlin Road,*
*Blackburn,*
*Lancashire BB2 7BA.*

## Parliament in need of wide-ranging reform

*From Mr Graham Allen MP.*

Sir, Howard Davies, director-general of the Confederation of British Industry, is the latest person to call for a serious review of how parliament works ("CBI chief calls for overhaul of law-making", March 15).

There can surely be few people inside the Palace of Westminster who believe the theatre and yah-boo of the house is a substitute for serious professional scrutiny of the executive. Whether and when ministers lie to the Commons is a matter for debate. What is plain, however, is they now evade many reasonable requests for information as a matter of routine. Standing committees on bills often replicate the worst features of the chamber, and departmental select committees – a breakthrough 14 years ago – need to move up a gear to the level of the public accounts committee.

Rather than extending the pre-legislative stitch-up to include business, as Mr Howard suggests, how much better to have open discussion on bills with standing committees taking evidence before getting locked into committee stage. There are many other areas that require reform, from the ludicrous late-night sittings to time-tabling of bills and scrutiny of European legislation. The implications for improving value for money, reducing public expenditure errors and re-invigorating economic policy-making cannot be underestimated.

As part of what opposition leader John Smith has called "a new constitution for a new century", Labour's commission on democracy this year will be looking at the possibilities for creating a modern self-respecting and democratic chamber, able to aspire to Gladstone's dictum of "not running the country but holding to account those that do". All of us – business included – will be the better for that.

Graham Allen,
*shadow home affairs minister,*
*House of Commons,*
*London SW1A 0AA*

## Ukraine already enjoying significant benefits from new focus of EBRD

*From Mr Victor A Yushenko and Mr Alexander N Sharov.*

Sir, David Marsh's article, "Excess gives way to restraint" (March 4) echoes the reaction of many officials and professionals in countries which have received European Bank for Reconstruction and Development investment to the changes effected by Mr Jacques de Larosière since his appointment as president of EBRD.

Former EBRD president Mr Jacques Attali's reputation as a visionary is well recognised. However, we felt that, under his leadership, EBRD focused its attention on investment in Russia to form a base from which to apply successes to the other former Soviet republics. As a result, countries like Ukraine received little benefit from EBRD efforts during the past few years.

By contrast, under Mr de Larosière's direction, Ukraine has seen evidence that his professional background as a banker, at the Bank of France and International Monetary Fund, has had its effect both on local leadership and in outright results. The bank's current focus in Ukraine on supporting local investment and banking services has resulted in substantial progress and an actual extension of commitments, especially in the area of financial institutions.

Needless to say, we have found the benefits of this change of leadership and direction within EBRD to have had a significant effect on fulfilling the original mission of the agency and on its impact on the developing economies of its target countries.

Victor A Yushenko,
*governor,*
*National Bank of Ukraine*
Alexander N Sharov,
*Ukrainian Financial Group,*
*organising committee,*
*Kiev International Bank,*
*Kiev,*
*Ukraine*

## Jewish Chronicle can show record of probing commentary

*From Mr Ned Temko.*

Sir, Gerald Kaufman's review of the newly published history of the Jewish Chronicle conveys a misleading picture of the book, the newspaper, and of my predecessor in the editor's chair, Geoffrey Paul (Books: "Life and times of a paper tiger", March 12).

Mr Kaufman is right to say that there have been occasions during the newspaper's long history when it has been reticent to speak out on various issues – indeed, with benefit of hindsight, perhaps too reticent. Given the fact that, at 153 years of age, we are the fourth oldest weekly paper in Britain, that is only to be expected.

But overwhelmingly, our record has been – and continues to be – one of fiercely guarded editorial independence and consistently probing commentary on communal, national and international issues. In this, the newspaper is unique among Jewish publications worldwide, and the equal of the most distinguished of Britain's national newspapers. The book Mr Kaufman reviewed makes this point forcefully, also noting the Jewish Chronicle's central role in a community whose large majority, regardless of political or religious persuasion, reads the paper each week.

The comment attributed by Mr Kaufman to my predecessor that the newspaper "could not run ahead of its readership" was made in the context of one quite specific issue: a deep dispute within the Orthodox Jewish establishment in the 1960s which led, ultimately, to a schism within it. Indeed, Mr Paul, himself, spoke out courageously on a number of issues even when this meant challenging the views of communal institutions, or of readers, a fact reflected in the often stormy debate that has always marked our letters pages.

Ned Temko,
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Friday March 18 1994

# Programmed for failure

Mr Michel Camdessus, managing director of the International Monetary Fund, has been put in an impossible position by the group of seven leading industrial countries. He is in Moscow to decide whether to release the second $1.5bn tranche of funds aimed at assisting reform. If he does not release them, the IMF will be blamed for the deterioration in the economy. If he does, the economy will deteriorate, nonetheless. His is a doomed mission.

So what should the west be doing, instead?

First, it must remember that Russia is both a nuclear power and Europe's most threatening neighbour. Its problems cannot be approached as if the country were the Philippines, or even Brazil.

Second, it must understand the roots of the disaster, which are the collapse of the communist economy and the attendant moral and fiscal bankruptcy of the state. The claims inherited from the Soviet Union greatly exceed the resources upon which the government can lay its desperate hands. The budget deficit is supposed to be 10 per cent of gross domestic product. In fact, it is at least 15 per cent, before meeting the defence minister's demand for a doubling of the military budget.

Third, the west needs to provide enough resources to allow Russia to rebuild both its economy and its bankrupt government, delivered in ways that actually allow it to do so. This means currency stabilisation and funds sufficient to close the budget deficit, conditional upon the establishment of private property, price reform, industrial restructuring and tight control over subsidies. The funds required will be large, but their duration need not be that great. With credibility restored, money could pour into the country, some of it as returning flight capital. But the IMF's $1.5bn – roughly half a per cent of Russia's GDP – is neither here nor there.

Fourth, the principals should themselves be present in Moscow. The IMF is not even the ideal agent, partly because it is obliged to treat Russia as just another member country, partly because it does not possess the necessary political authority and partly because it does not have the needed resources. If the G7 is to act, it should send someone of the stature of Mr Larry Summers, US treasury undersecretary for international affairs, to talk to those who matter, decide whether reform is feasible and then cajole the G7 into offering the assistance that might make it work.

Finally, the west must decide whether now is the time. The government of Mr Victor Chernomyrdin has made a greater effort to hold the budgetary line than many expected. Mr Victor Gerashchenko, the central bank chairman, has even started to behave like a monetarist. But the perseverance of the government is highly uncertain and the support of the parliament still more so, particularly when President Yeltsin has withdrawn from the scene.

For all that, it is both right to explore the possibilities of today and essential to prepare for the fresh opportunities for radical reform that may, given Russia's economic plight, emerge tomorrow. What makes no sense at all is to prefer the certainty of failure to the chance of success. At present, the G7 has no policy for Russia. It is just making gestures.

# Malaysian moves

Dr Mahathir Mohamad, the Malaysian prime minister, has made it clear that he is in no mood to rescind his government's embargo on purchasing British goods. "No contracts in exchange for British press freedom to tell lies," he wrote in a letter published in yesterday's FT.

Dr Mahathir's reaction to newspaper reports that bribes were allegedly offered to Malaysian politicians is unwarranted. The British government has no control over what the country's press says, nor should it. By linking government contracts to whether British newspapers say nice things about his regime, Dr Mahathir has damaged trading relations that are important to both countries. If he has been libelled, the right response would be to sue in the British courts.

Eventually Dr Mahathir may realise that the trade ban will damage Malaysia as much as, if not more than, Britain. He has not only reduced his choice of suppliers but alerted the world to the risks of doing business with Malaysia. He should remember that reputations take longer to build than to destroy.

In the meantime, the question is how the British government should respond. There should certainly be no apologies, since Malaysia has wronged Britain, not vice versa. Unfortunately, there has been a tendency to appeasement by some ministers: Mr Richard Needham, the trade minister, has even blamed the press for the dispute.

Though apologies should be ruled out, Britain has little interest, at this stage, in escalating matters. An argument could be made for a symmetrical ban on UK government contracts to Malaysian business. But retaliation should only be considered if strong protests fail to change Dr Mahathir's mind. The UK's European partners should be asked to join such protests, for wider issues of press freedom and commercial policy are at stake.

The dispute underlines the need for international rules to prevent governments using discriminatory public procurement in this way. Although a Gatt code covering public procurement exists, it has been signed by only a handful of countries, of which Malaysia is not one. It would be naive to think that Dr Mahathir could be persuaded to sign the code in current circumstances. But extending it to all Gatt members should be one of the European Union's medium-term goals.

# Africa's gloom

Sub-Saharan Africa's economic decline may have been arrested, and in some countries modestly reversed. But the long-awaited World Bank report on structural adjustment in the region is deeply worrying, nevertheless. Current growth rates among the best performers are "still too low to reduce poverty much in the next two or three decades". With today's poor policies, it will be 40 years before the region returns to its income per head of the mid-1970s, says the report.

The sheer misery of countries not covered in the report can only be guessed at: Sudan, Africa's largest state, Zaire, potentially one of its wealthiest, Angola, Somalia and Liberia. Meanwhile, Burundi, which was doing rather well, has had a coup and Nigeria has slid backwards, after having been a leading performer between 1987 and 1991. Last weekend it was given a justified ticking off by Mr Kim Jaycox, the bank's vice-president for Africa.

The fundamental questions are why Africa has been left trailing by the rest of the developing world and what can be done to remedy the calamity. Some of the answers may emerge in Tokyo this week, where the Japanese finance ministry has brought together World Bank and IMF officials, other donors and African governments, to discuss lessons from east Asia's success.

Mr Lee Kuan Yew of economically successful Singapore made a start last November, when he offered Africa his own sensible checklist: clean government; an effective and adequately paid civil service; family planning; "pragmatism, not dogma, in economics"; letting foreigners and local entrepreneurs "get on with their business"; universal education; and going "for results not political correctness". Mr Lee had another piece of advice, one that goes to the heart of Africa's development disaster: maintain national solidarity and social cohesion.

Africa faces many formidable obstacles in its efforts to recover. The infrastructure is desperately poor, privatisation painfully slow, the external debt burden heavy, management weak and education inadequate. In all of these areas outsiders can offer some assistance. But the continent's most formidable hurdles, those of social fragmentation and brutal political exploitation, are not susceptible to outside intervention. Too often governments fail to act on behalf of their countries. Obligations extend, instead, in concentric circles, beginning with family, village and clan, and embracing tribe, but not country.

It is not Africa's fault that boundaries are arbitrary, that former nation states were divided, or several nations encompassed within newly created territories. The Organisation of African Unity's decision to retain those colonial boundaries was right. But after independence, African leaders failed to build either the machinery or, more important, the attitudes required by functioning modern states. Building such a social compact may require a new generation of leaders.

Make no mistake, structural adjustment is necessary, even though it is bound to work slowly. But it may not work at all if those with power do not feel obliged to serve the interests of the people.

**David Buchan and Quentin Peel examine emerging strains in a relationship that has underpinned European unity for decades**

# Odd couple's testing tiffs

Paris and Bonn are getting on each other's nerves – badly. With an election season in full swing in Germany and getting under way in France, fits of mutual pique could develop into a more serious rift with consequences for other members of a European Union that is shortly to come under successive German and French presidencies.

The German foreign ministry yesterday called in Mr François Scheer, France's ambassador in Bonn, to complain about his comments to German journalists that Germany had taken a heavy-handed – and in Paris's view, unhelpful – line in the negotiations to admit Nordic countries and Austria to the EU.

But Mr Scheer was just echoing his masters' voice. A French minister said yesterday Mr Klaus Kinkel, Germany's foreign minister, had "irritated us with his dynamism" in enlargement talks. In a counter-productive bid to push enlargement along, Mr Kinkel had misled new members into thinking they could get away with partial acceptance of EU rules, and had thus "delayed" conclusion of enlargement talks, the minister complained.

This row, full of portent for the future, awkwardly coincides with two emotion-charged historical brouhahas. One concerns Germany's possible presence at the 50th anniversary of the D-Day landings in Normandy this June. Chancellor Helmut Kohl would love to be invited, if only to show his electorate how effectively he has reconciled Germany with its former enemies.

But fearful of a backlash from army veterans, older Gaullists and even some wartime allies, the French government is hanging back. It has even shelved its earlier idea of holding some kind of Franco-German commemoration on May 8, the 49th anniversary of the end of the second world war, because Mr Kohl does not want to be fobbed off with second best. For his part, Mr Kohl has turned down the request of France as well as the US and the UK to mark the final departure of their troops from Berlin this summer with a military march-past. Instead, he is planning a German torchlit parade, with perhaps questionable historical connotations.

There are other pinpricks to the relationship. They include:

- France, awaiting further guarantees that the European Parliament will remain in Strasbourg, is blocking legislation that would, inter alia, give Germany 18 more Euro-seats for its eastern Länder. A German diplomat went to Paris recently to warn German political parties would take it "very seriously amiss" if they did not get extra Euro-seats in time for June's European Parliament election.
- France's largest promised investment in eastern Germany is threatening to turn sour, with Elf-Aquitaine, the newly privatised oil company, trying to evade part of its commitment to sink DM3bn (£1.1bn) into a showcase refinery at Leuna. Worried about rising unemployment and his falling popularity in that region, Mr Kohl has complained to the French government.
- France's industry minister, Mr Gérard Longuet, recently complained that "Germany has to accept there are other industrial countries in Europe", expressing frustration at the lack of Franco-German co-operation in cars, high-speed trains and energy.

Many such tensions would pass unnoticed between other countries. But expectations of the Franco-German relationship are very high, precisely because of what the two countries have achieved since they signed their Elysée friendship treaty 31 years ago. Indeed, the traditional way of giving the relationship a shot in the arm is for the leaders of both countries to announce some grand new initiative. But of new ideas, there seem to be few. One exception is a French plan for a joint armaments agency with Germany. But its adoption at this summer's bilateral summit is uncertain, because Mr Kohl is preoccupied with an electorate unappreciative of military spending.

The Maastricht treaty, of course, gives Paris and Bonn a long-term agenda, and the two countries have weathered a series of strains in the past year – over currencies, Bosnia and the Gatt negotiations. But their latest spat over enlargement bodes ill for the future, precisely because there will be future admissions to the EU from central Europe. Paris is not questioning *whether* Union membership should be increased – it accepts its inevitability – but it is raising the question of *how* this should take place.

The rock on which the Franco-German partnership has recently rested is the solid understanding built up by Mr Kohl and President François Mitterrand in their 80-odd meetings over the past decade. But, in this curiously top-down alliance, what happens when the top changes? Would it be the same if a President Jacques Chirac came to power in France next year, representing a more hard-nosed Gaullism, or if Mr Rudolf Scharping's Social Democrats were to win a share of power at this October's federal German election, bringing in an anti-militarism that could thwart France's ambitions for common European defence?

For all the ministerial encounters in Franco-German summits every six months for the past 31 years, the political classes of the two countries are not close. Their institutions and parties differ too much. On the left, French and German socialists have long maintained contact, but on the right there is no unified conservative party in France to talk to Mr Kohl's Christian Democrats.

However, the history of the relationship is one of trying to create links at all levels. For instance, the prospect of monetary union is pushing the National Assembly and the Bundestag closer. It was striking early this year that Mr Jean-Claude Trichet presented his first public testimony – as governor of the newly independent Bank of France – to the Bundestag in Bonn a few days before he did so to the National Assembly in Paris, and even more striking that this passed without comment in France.

Greasing the often creaky wheels of the Franco-German locomotive is a network of French and German bureaucrats who have spent some time in each other's countries, civil service colleges and administrations. The French and German foreign ministries each take in two diplomats from the other country for one or two years. This exchange has operated for some seven years.

Since 1947 France's Ecole Nationale d'Administration (ENA), which has no direct equivalent in Germany, has taken nearly 300 Germans into its prestigious courses. Many of them, fluent in French and often with French wives, are now high in the German administration, such as Mr Joachim Bitterlich, Mr Kohl's foreign policy adviser. They have long-standing personal contacts with their fellow *énarques* in all reaches of French political and business life. A far smaller number of French has passed through the Bundesakademie, the German civil service college.

> **'Only Anglo-Saxon productions like Monty Python or Fawlty Towers make Germans and French laugh equally'**

Similarly, military links are being forged with the creation in 1989 of the Franco-German brigade and the establishment this year of the Strasbourg headquarters of the Eurocorps despite cultural differences. The reformed postwar German military tradition of the "citizen in uniform" is at odds with the unreconstructed authoritarianism of the French military. Germans in the brigade find French officers downright rude at times, while French find German officers long-winded in their politeness.

But by far the biggest point of contact between the two countries is, of course, business. They are each other's biggest trading partner. In 1992 France took 13 per cent of Germany's exports, and Germany 17 per cent of French exports. For a long time, the relationship was largely one of trading goods across the Rhine, though the German chemical companies started to invest directly in France in the 1970s, partly to satisfy French farmers' appetite for fertiliser, while French investment in Germany only caught up a bit with the fall of the Berlin Wall.

But French investment in Germany still only totals DM12.7bn, putting France in sixth place (behind the UK), while Germany has invested DM22.7bn in France, making it the second-largest investor behind the US. Because of the labour-heavy investments in eastern Germany, slightly more Germans (250,000) now work for French subsidiaries than French (220,000) do for German subsidiaries.

This half-million labour force under sharply contrasting management cultures and styles, though management goals of investing for the long term are increasingly similar. "It would be hard to find two more different cultures – France is very centralised and everything happens in Paris in a very urban environment. In Germany it is just the opposite, and the French find it hard to adapt to the very different environments of Hamburg, Munich, Berlin," says Mr Roland Berger, a German management consultant.

Mr Berger finds the French "equally puzzled by the decentralised German corporate structure. German corporate law puts the responsibility on the company board, and German companies tend to be managed by a team of different specialities on those boards."

Mr René Laserre, of the Paris Institute for the Study of Contemporary Germany, echoes this. "With us it is a monarchy, a presidential system, while German companies have a parliamentary system."

He also points to the difference between French and German labour relations. "It is two different worlds," says Mr Laserre. "In Germany, *mitbestimmung* [co-determination] for the workers in management decisions really means that, while in France the role of the *comité d'entreprise* [worker's council] is purely consultative." As a result, it is almost impossible to exchange shopfloor managers back and forth across the Rhine.

Because of these differences, "it is essential companies allow their subsidiaries a lot of freedom", says Mr Berger. In addition to the publishing group Bertelsmann, with its thriving magazines in France, examples of successful cross-Rhine management include St Gobain's relationship with Vegla, its large German subsidiary, Hoechst's relationship with Roussel-Uclaf, the French pharmaceutical company it controls, and Alcatel's relationship with SEL, its telecommunications subsidiary in Germany.

But some managements, particularly on the French side, are too pushy, Mr Laserre claims. The bid by Crédit Lyonnais to link up with Commerzbank was doomed to failure because the state-owned French bank wanted to rival Commerzbank in its home market, he says, while newly privatised Banque Nationale de Paris's (BNP) co-operation with Dresdner Bank is working precisely because it is limited to third countries. He claims Thomson, the French electronics group, demoralised the staff of its Telefunken acquisition by managing it from Paris.

Both these setbacks concern French state-owned companies, of which German businessmen are highly suspicious. A survey by Heidrick and Struggles, the management consultant, of the top 200 companies in France and Germany showed 45 per cent of the top French managers had worked for the state, and only 8 per cent on the German side. This is why France's current privatisation programme – despite its side-effect in freeing Elf to reconsider its commercial view of the Leuna project – has a wider importance in enabling French managers to adopt the same private-sector attitudes as their German counterparts.

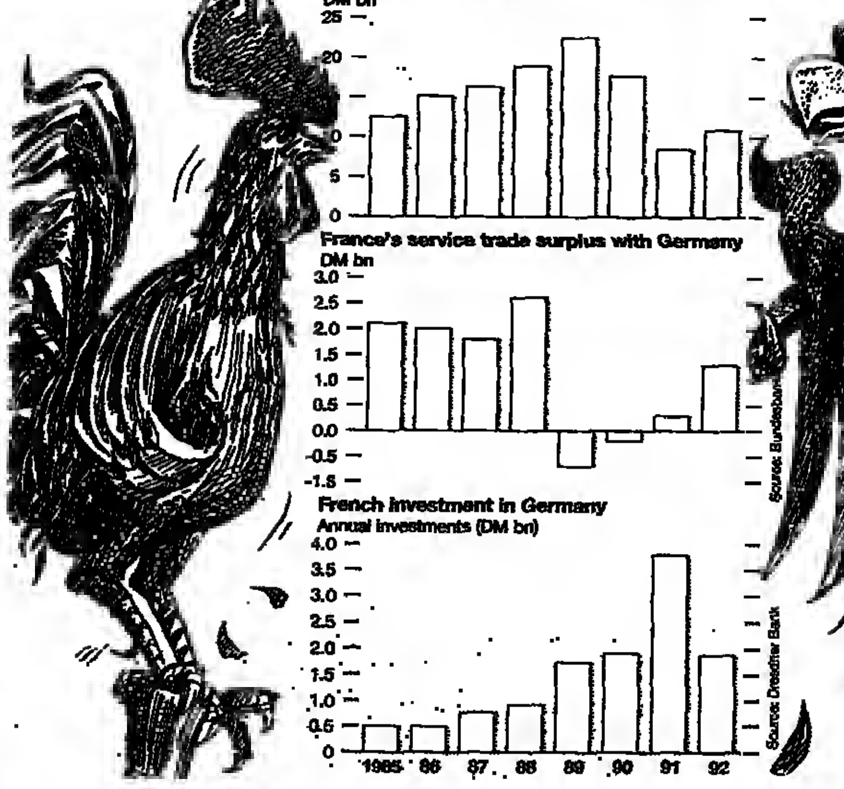
A common culture in the broader sense is what the new Arte television station aims to foster. Set up by President Mitterrand and Mr Kohl after German reunification, it broadcasts in French or German (with subtitles in the other language). It has about 2 per cent of the audience in France and a bit less in Germany. Not much, but this corresponds, according to Mr Olivier-René Veillon of Arte, to the number of French and Germans who speak each other's language.

It is very revealing of differing Franco-German habits and tastes. "We find that French and Germans don't laugh at the same thing," says Mr Veillon. "Only Anglo-Saxon productions like *Monty Python* or *Fawlty Towers* make Germans and French laugh equally."

Arte makes a brave effort to get the two countries to face their sorry past. When it aired a documentary called *War of the Screens*, examining French and German government wartime propaganda use of television, Arte's audience rose to 4 per cent. Every Sunday, too, Arte runs film from both sides of the same events in the second world war. "It is very important for countries which are so dependent on each other to know each other better," says Mr Veillon.

France and Germany face a tricky transition. Their last war is not distant enough to avoid painful anniversaries, yet too distant for new generations of leaders on both sides of the Rhine necessarily to feel the same commitment to unity. It is clearly too early to pronounce the Franco-German relationship has so deepened that it can survive unscathed any changes at the helm.

**Franco-German relations: squaring up for a fight?**




# OBSERVER

## Browned-off and bankrupt

■ Calling all bankrupts. David Browne, made bankrupt in January, wants to hear from you. He's designed a nice line in souvenir neckwear for fellow bankrupts and he's now back in business.

First week's trading saw 43 ties sold at £12.50 each, though Browne offers discounts to boards of directors. The ties, made of dark blue polyester, are emblazoned with a £ sign struck through by a white line, along with the initials TBC, standing for The Bankruptcy Club.

Browne reckons the tie is bound to make an impression at any City gathering.

Now he's thinking of expanding the market by selling franchises to judges in the bankruptcy courts. He has opened a "Bankrupt's Tie Hotline" – 0273 771818 – to take orders from those customers whose phones are still connected. The merchandising spin-offs would, paradoxically, seem endless – so long as the recession endures.

## Money talks

■ She may lack her former pulling power, but she still pulls a large whack. Baroness Thatcher is currently in Brazil at the invitation of Banco Garantia to speak at a conference on privatisation. Yesterday she was due to meet the president and the foreign minister. But Brazil's most important government member – finance minister Fernando Henrique Cardoso – cried off. He had to stay over in the US to discuss details of Brazil's anti-inflation and debt rescheduling plans.

But the Iron Lady still drives a hard bargain. She is understood to be charging £120,000 for her words and, with the Brazilian cruzeiro devaluing by 40 per cent a month because of rapid inflation, is wisely not accepting local currency.

## Now you see it

■ The London and Shanghai stock exchanges are going to be doing a lot more co-operating, following this week's visit to China by London stock exchange chairman Sir Andrew Hugh Smith. But Observer hears that Sir Andrew's trip was not without its hiccups.

To do business in China a foreign businessman needs a Chinese host. Not normally a problem, especially when the visitor has a knighthood. Hence some puzzlement in British diplomatic circles when no one seemed willing to take care of Sir Andrew, in town for a British Invisibles seminar.

Sir Andrew's cv seems to have been the problem. Not only is he a member of British Invisibles but he is also a vice chairman of Britain's Guide Dogs for the Blind council.


'The childminder did it'

Putting two and two together, the Chinese seemingly wondered whether invisibility was something to do with blindness – which perhaps explains the delay in finding a companion for Sir Andrew.

Fortunately the misunderstanding was spotted in time.

## Liu cleans up

■ Meanwhile, at last China pays attention to human rights. We all have a right to a clean toilet and China intends leading the way with its National Patriotic Health Campaign Committee. Eighty per cent of urban and 30 per cent of rural homes must have hygienic latrines by the end of the decade.

Bourgeois resistance is likely to be fierce in some quarters, according to Liu Yuliang, the committee's deputy director: "While wealthy farmers tend to spend thousands of yuan to build new houses, few bother to update their potty."

## Quango

■ Perhaps Mike Espy, US secretary of agriculture, should be signed up as an honorary member of SPUA, the Society for the Prevention of Useless Acronyms.

Pontificating on Wednesday to the House Agriculture Committee about the latest Gatt round and the way to increase farm income through exports, he let slip that "within our arsenal right now we have a number of tools: the EEP is one, we have the SOAP/COAP and the BEPS, we have GSM, 102, 103, and the MPP".

## Perennial bloomer

■ For some odd reason the Cheltenham & Gloucester Building Society, one of the more hardy of its species, wants to be loved by gardeners. It's paying £400,000 to sponsor Classic FM's answer to BBC Radio 4's Gardeners' Question Time.

Having pruned back its range of financial products, C&G is now diversifying into sweatshirts, watering cans and gardening gloves. The thinking seems to be that since many C&G customers like gardening, they will come to love the C&G.

Maybe so, but the weeding out of the society's unprofitable members arouses a suspicion: is C&G uprooting itself from the building society movement and preparing to blossom into a greedy plc?

## Hackneyed cab

■ Fed up with paying too much for your car insurance? In that case buy yourself a pastel-coloured motor. Barry Hulbert, who runs Hill House Hammond, one of the UK's biggest chains of high street insurance shops, says owners of black or red vehicles may have to pay higher premiums because, statistically, they are more likely to make a claim.

Is the implication that if all drivers of red and black cars change to lemon, they are suddenly going to have fewer accidents? Oh well, the insurance industry always prefers putting carts before horses.

## Trend bucking

■ Washingtonian wits now suggest Hillary Rodham Clinton carries on her desk a notice reading "the bucks start here".

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FINANCIAL TIMES
Friday March 18 1994

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Paris worried over Bonn's policies on enlargement of European Union

# Franco-German row downplayed

**By David Buchan in Paris, Quentin Peel in Bonn and Lionel Barber in Brussels**

France and Germany struggled to limit the damage to their relationship yesterday after the French ambassador was summoned to the German foreign ministry to explain highly critical remarks over Bonn's foreign policy.

The row has brought into the open growing concern in Paris about both the style and substance of Germany's post-unification policies, in particular over the enlargement of the European Union to the north and east.

More fuel was added to the tensions being caused by enlargement across the EU by an attack on the process from the Greek minister for European Affairs, Mr Theodoros Pangalos, who said he had regretted having had to lead the negotiations allowing Sweden, Norway, Finland and Austria into the union. Greece currently has the EU's rotating presidency.

In what appeared to be a coded attack on the heavy-handed role Germany played in bringing the talks over entry terms to a successful conclusion this week, Mr Pangalos said: "Now this is done, now that I have done my duty, I honestly want to say that this decision was wrong."

He warned that the prospective new entrants would make decision-making more difficult and their entry should have been delayed until the end of the decade.

Mr Pangalos's outburst appears to have been prompted by fears that further pressure to open up the EU to eastern European countries would be championed by Germany with as much vigour as Bonn's foreign minister, Mr Klaus Kinkel, has used over the past two weeks in the recent enlargement talks. Greece fears that the entry of more poor countries may weaken its access to EU funds.

In Paris a French minister admitted that Mr Kinkel had "irritated us with his dynamism" in Brussels.

But senior German officials said their government was both "irritated and annoyed" about an off-the-record interview given to German newspaper correspondents by Mr François Scheer, the French ambassador in Bonn. In it, he called for clarification by Bonn of its commitment to western Europe, and apparently criticised German heavy-handedness in the enlargement negotiations.

The official line of both governments, however, was firmly to squash any suggestion of serious dissent. The German foreign ministry said Mr Kinkel had held a "detailed telephone conversation" yesterday with Mr Alain Juppé, his French opposite number, covering all aspects of Franco-German relations.

An undiplomatic voice, Page 2
Odd couple's tiffs, Page 19

## THE LEX COLUMN

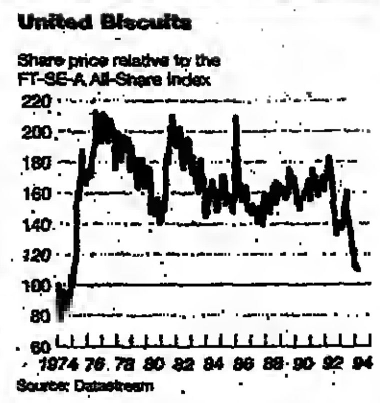
# United they stand

United Biscuits stands on the fault line in the UK food manufacturing industry and is desperately struggling to ensure the ground does not give way beneath its feet. Strong brands and international expansion have enabled Unilever and Cadbury Schweppes to move to firmer terrain. UB may yet be able to join them. Its ambitious £121m restructuring programme will now determine its fate.

The 2 percentage point drop in McVitie's fat margins highlights the pressures in UB's home patch where raw material price rises are still hurting. UB may be able to staunch that decline if its promised costs savings are recycled into increased marketing spend. Promising growth in mainland Europe and the far east is also contributing to the cause. But UB's fortunes hinge on the US where most of the restructuring costs will fall over the next three years. Keebler is taking to the hills in salty snacks, trying to become a strong regional operator rather than a weak national one. The marketing and distribution changes in its cookies business also seem a textbook strategy; the only trouble is Keebler's competitors may have read the same book.

Still, by ransacking the 1993 balance sheet, UB at least stands a chance of delivering some earnings and dividend growth over the next few years. The market may well appreciate those short-term attractions, especially given the underpinning of a 6 per cent yield. But the broader risk remains that in its world of scarce cash resources, UB will only feed its problems and starve its strengths.

FT-SE Index: 3255.7 (+12.8)




Source: Datastream

### Reed Elsevier

For the market to shave 3 per cent from Reed's share price on the day when the company demonstrated that the merger with Elsevier was working is a predictable meanness. The shares have all but doubled since the merger was announced, and a 40 per cent premium rating to the market is difficult to sustain without comparable earnings prospects. Those overly besotted with multimedia hype have also received a refreshing bucket of cold water as the sector's shorter term earnings prospects have become clearer.

Yet to dwell on the negative influences is to miss the point about Reed Elsevier. The company has an enviable mix of high margin steady growth businesses and lower margin consumer titles which are about to benefit from the upswing. Even with that spread, the portfolio is sensibly concentrated in specific publishing areas. The management's clear strategic view is a force to be reckoned with. Strong cash flow and high interest cover mean the group has plenty of fire power ready to use as and when attractive acquisition opportunities emerge. The purchase of Official Airline Guides for $415m and its subsequent rationalisation reassures that the company may resist overpaying.

In the absence of a hot-headed aggressive bid, large-scale acquisitions may take longer than the market would ideally like. But then, shareholders have long kept faith with Reed, despite its humdrum earnings record. It is worth hanging on a little longer, since all that remains is for the management fully to exploit the opportunity it has created for itself.

### Legal & General

Mr David Prosser deserves full credit for turning Legal & General around since taking over as chief executive in the autumn of 1991. Recent new business figures have been up with the pack after three dismal years. Costs have been reduced and L&G's mixed record on compliance – witness the recent record fine imposed by Lautro – is being addressed. True, the profits recovery evident in yesterday's full year figures owes more to the cyclical upswing in general insurance rates. By reserving fully against mortgage indemnity losses and buying extensive reinsurance cover, though, L&G has limited its downside risk. If that allows its management to concentrate on the long-term savings business, so much the better.

There is certainly no shortage of challenges. How L&G will cope with the tough new regulatory regime promised by the Securities and Investments Board is difficult to judge. Since endowment mortgages account for a relatively large slice of sales, full disclosure of commissions is a real threat. That said, L&G may be big enough and have a strong enough brand to diversify into alternative savings products such as unit trusts. The company's respectable investment performance in recent years is another reason for optimism.

Yet it remains a racing certainty that tougher regulation will result in fewer life assurance contracts being sold across the industry. Until L&G proves itself a winner, its shares are likely to suffer with the rest of the sector whatever the attractions in terms of yield.

### Guinness

Having worked hard to reduce its costs and stepped up marketing spending on its brands, all Guinness now needs is a drop of recovery in the drinks market. The 4 per cent slide in its shares following yesterday's results partly reflects the downbeat trading statement that accompanied them. True, there are some glimmerings in spirits, up 1 per cent by volume last year with Scotch whisky sales up 3 per cent. But demand is strongest in lower-priced brands and price rises lagged inflation. Even these modest volume increases are being bought at the expense of margins.

In brewing, efforts to exploit the stout brand are overshadowed by the continued slide in Cruzcampo's profits. Recession and the lack of Olympic games custom provide convenient excuses for its poor performance, but Guinness now has ample cause to regret buying into Spanish brewing expensively and at the wrong time.

Still, there may be little alternative, as in spirits, but to wait for better times. At least the cash inflow from the recent LVMH deal will reduce gearing to 38 per cent. Since Guinness is generating ample cash from operations, the LVMH deal hastens the day when it must find a way of spending some of this money. Presumably another Cruzcampo is not on the cards, though smaller targetted acquisitions may be. Or perhaps Guinness could again buy in its own shares, starting with the 4 per cent stake that LVMH must sell by June next year.

# Riot police oust Vladivostok mayor over bribe allegations

**By John Lloyd in Moscow**

The elected mayor of Russia's far eastern city of Vladivostok, where the pace of reforms has stirred opposition, was forcibly removed from office by riot police yesterday after a raid on his offices.

The ousting followed allegations of corruption, bringing to the surface disputes over reform policies in a city where the growth of a free economy has been more marked than any other in Russia, but where the state factories, which provide the bulk of employment, fear collapse and where some of the highest votes for the ultra-nationalist and communist parties were recorded at the parliamentary elections last December.

Mr Victor Cherepkov, elected mayor last year, was removed from the mayoral building by some 50 Omon riot police – although later reports say he was not imprisoned and local television showed him lying on a bed after a heart attack. The deputy mayor, Mr Vladimir Gilgenberg was carried out of the building, according to Tass, the official news agency.

Mr Cherepkov, a former submarine captain, has been charged with bribery, according to Mr Veniamin Chichayev, an aide to the regional prosecutor. Mr Cherepkov has denied corruption and says that political enemies have been trying to remove him before next Sunday's elections to the regional legislature.

Vladivostok's stock market, the most active in Russia, has boomed in recent months – by trading shares in privatised companies. Vladivostok has led the country in privatising its enterprises – but in doing so has appeared to trigger a reaction from the state plant directors, who see their power base eroding, and from workers who fear unemployment.


Mr Cherepkov has been feuding for months with the Moscow-appointed governor of the Maritime Territory, Mr Yevgeny Nazdrazenko – who initiated the allegations of corruption. Mr Nazdrazenko appointed Mr Konstantin Tolstoshin, last year's unsuccessful mayoral candidate, as acting mayor.

Mr Cherepkov, like his adversary Mr Nazdrazenko, is considered to be a middle of the road reformer, however, and the row between the two men is believed to centre on local issues and may not carry wider implications for the struggles between reformers and their critics elsewhere in Russia.

Some 300 demonstrators turned out in support of Mr Cherepkov yesterday morning, carrying placards reading "No to lawlessness" and "Shame on the provocateurs". Mr Vladimir Chilo, an engineer, said: "The city is getting impossible to live in. It is drowning in dirt and no one does anything."

# Sinn Féin stresses US peace role in N Ireland

**By Michael Cassell, Jurek Martin, Tim Coone and David Owen**

The United States could play an instrumental role in helping achieve peace in Northern Ireland, Mr Gerry Adams, the Sinn Féin president, said in Belfast yesterday.

In reasonably upbeat remarks, Mr Adams told a St Patrick's Day rally that the US administration was displaying a readiness to take a fresh approach to the conflict in spite of sustained British pressure. He was speaking ahead of yesterday's meeting between Mr Albert Reynolds, the Irish prime minister, and US president Bill Clinton.

The Sinn Féin leader said republicans wanted to live in peace and without coercion among their unionist neighbours. He added Sinn Féin neither condoned nor encouraged armed actions and stressed that all parties had to be involved in the current peace process.

Mr Adams's statement received a guarded welcome in Washington, with Mr Clinton saying he was "quite encouraged".

Mr Adams's words came "at a good time and I hope it has a good effect", the US president said, standing with Mr Reynolds at the White House.

But he added it was "premature" to discuss the question of issuing another US visa to the Sinn Féin leader. "The issue now, is what is going to be the role of Sinn Féin in the ongoing peace effort. Will they join? I hope they will," Mr Clinton said.

Speaking later at a special St Patrick's day dinner hosted by the president, Mr Reynolds said that US support for the Northern Ireland peace process would have "an important influence" on its outcome."

In London, Sir Patrick Mayhew, the Northern Ireland secretary, was urged strongly by Tory backbenchers to step up pressure on the Irish government to improve security co-operation.

# Hanson enters Asia markets

Continued from Page 1

that the group's next sizeable deal would be on the continent. Immediately after, Hanson launched a bid for Ranks Hovis McDougall, a largely UK company.

When that failed, the company's next move was a classic Hanson-style US acquisition, buying Quantum Chemical last September. Since then, Hanson has been selling rather than buying businesses to cut its heavy debt.

Mr Hanson's new appointment is not full time, and he will retain his role in the group's European operations.

# US-Russia satellite venture

Continued from Page 1

LKEI was formed last year as a joint venture between Lockheed Missiles & Space of California and two Russian aerospace manufacturers – Khrunichev Space Center and NPO Energia, both of Moscow – for the worldwide sale of Russian Proton commercial launch vehicles. The post-cold war venture initially raised concern in Washington that low-cost Russian launch services could undermine the US commercial satellite launch industry.

"LKEI has continued to work hand-in-hand with the US government to ensure fair competition among launch services providers," Mr Lloyd said. Under a US-Russian trade agreement signed last year, Russian launch bids cannot undercut the lowest western bid by more than 7.5 per cent. The agreement also limits Russian launches of western commercial satellites to eight a year.

"The LKEI venture is extremely important to us," said Mr Anatoly Kiselev, president of the Khrunichev Space Center and co-chairman of LKEI. "We see this effort as critical to the Russian aerospace industry and to Russia's ongoing effort to transition to a market-based economy."

Mr Lloyd said LKEI was identifying work needed to improve the Baikonur launch facilities in Kazakhstan, and has begun talks with insurance underwriters.

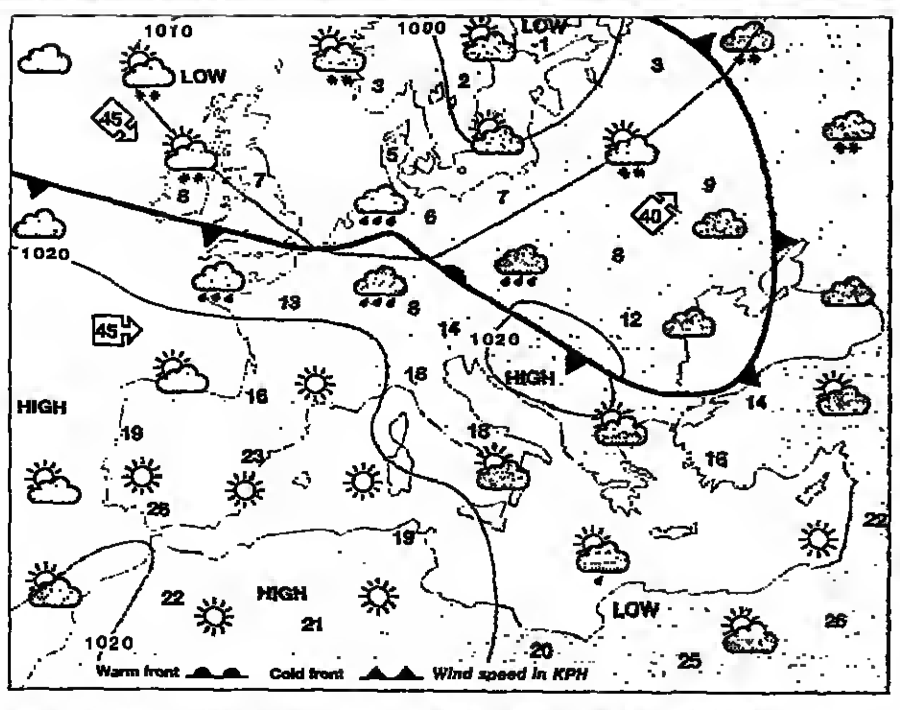
## FT WEATHER GUIDE

### Europe today

A zone of low pressure will lead to snow showers along the west coast of Norway and in Finland. In northern and central parts of Scandinavia, temperatures will remain below freezing. Snow showers are also forecast for Scotland. There will be heavy rain in the southern parts of the UK, in Ireland, in the southern parts of the Benelux, in northern France, and in Germany. Wintry showers with sunny intervals are forecast for Denmark, Poland and the Baltic states. Conditions in the south will be generally mild and dry, except for isolated showers in Greece. In the Mediterranean, sunshine will be plentiful. Temperatures will be highest in Spain and Portugal.

### Five-day forecast

A frontal zone, separating cold air over northern Europe from mild air over southern Europe, will flow south. It will reach central and eastern Europe during the weekend, causing heavy rain and snow in the mountains. High pressure over the Atlantic will flow slowly towards western Europe and will gradually bring more settled conditions. South-western Europe will remain dry and sunny.




Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

**TODAY'S TEMPERATURES** (Maximum Celsius)

| | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Belfast | hail | 7 | Cardiff | rain | 10 | Frankfurt | rain | 10 | Malta | fair | 18 | Rio | fair | 29 |
| | | | Belgrade | fair | 16 | Chicago | fair | 8 | Geneva | fair | 13 | Manchester | hail | 9 | Riyadh | sun | 27 |
| Abu Dhabi | fair | 26 | Berlin | rain | 7 | Cologne | rain | 10 | Gibraltar | sun | 20 | Manila | fair | 32 | Rome | fair | 17 |
| Accra | shower | 31 | Bermuda | fair | 19 | D' Salaam | thund | 32 | Glasgow | snow | 7 | Melbourne | fair | 20 | S. Frsco | fair | 18 |
| Algiers | sun | 21 | Bogota | shower | 20 | Dakar | sun | 30 | Hamburg | sleet | 6 | Mexico City | fair | 23 | Seoul | shower | 10 |
| Amsterdam | rain | 7 | Bombay | sun | 33 | Dallas | sun | 27 | Helsinki | snow | 1 | Miami | fair | 28 | Singapore | shower | 28 |
| Athens | fair | 17 | Brussels | rain | 10 | Delhi | fair | 33 | Hong Kong | fair | 21 | Milan | sun | 18 | Stockholm | fair | 1 |
| B. Aires | thund | 27 | Budapest | fair | 11 | Dubai | fair | 25 | Honolulu | shower | 26 | Montreal | fair | -1 | Strasbourg | rain | 13 |
| B.ham | rain | 9 | C.hagen | fair | 6 | Dublin | rain | 9 | Istanbul | fair | 14 | Moscow | snow | 4 | Sydney | fair | 25 |
| Bangkok | fair | 36 | Cairo | fair | 26 | Dubrovnik | sun | 16 | Jersey | rain | 9 | Munich | rain | 11 | Tangier | sun | 21 |
| Barcelona | sun | 18 | Cape Town | fair | 28 | Edinburgh | fair | 7 | Karachi | sun | 36 | Nairobi | fair | 27 | Tel Aviv | fair | 23 |
| Beijing | fair | 10 | Caracas | fair | 25 | Faro | sun | 21 | Kuwait | sun | 26 | Naples | fair | 18 | Tokyo | fair | 13 |
| | | | | | | | | | L. Angeles | fair | 19 | Nassau | sun | 29 | Toronto | fair | 1 |
| | | | | | | | | | Las Palmas | sun | 21 | New York | sleet | 0 | Tunis | sun | 19 |
| | | | | | | | | | Lima | fair | 26 | Nice | sun | 16 | Vancouver | shower | 8 |
| | | | | | | | | | Lisbon | sun | 22 | Nicosia | fair | 20 | Venice | hazy | 14 |
| | | | | | | | | | London | rain | 11 | Oslo | fair | 3 | Vienna | fair | 12 |
| | | | | | | | | | Lux.bourg | rain | 8 | Paris | rain | 14 | Warsaw | snow | 7 |
| | | | | | | | | | Lyon | fair | 14 | Perth | sun | 37 | Washington | shower | 10 |
| | | | | | | | | | Madeira | fair | 18 | Prague | rain | 8 | Wellington | shower | 18 |
| | | | | | | | | | Madrid | sun | 21 | Rangoon | fair | 35 | Winnipeg | cloudy | 4 |
| | | | | | | | | | Majorca | fair | 19 | Reykjavik | cloudy | -3 | Zurich | fair | 11 |

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FINANCIAL TIMES
# COMPANIES & MARKETS
Friday March 18 1994

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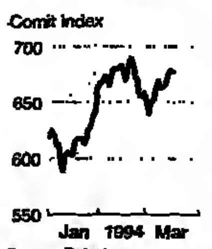
IN BRIEF

## MoDo heralds upturn in forestry

A long-awaited upturn in the forestry cycle was signalled yesterday by MoDo, one of Sweden's leading forestry groups, when it announced a sharply reduced loss for 1993 and predicted a strong return to the black this year. Page 18

**Northwest hits turbulence**
In January, it might have made sense for Northwest Airlines, the fourth-biggest US carrier, to plan a return to the stock market this month. With hindsight, the timing could hardly have been worse. Page 20

**Comit shrugs off forthcoming election**




The Italian equity market, one of Europe's best performers last year, has been looking remarkably resilient as the country prepares to go to the polls on March 27 and 28, for what is arguably the most important general election since 1945. The Comit index posted a 37 per cent rise during 1993, as heavy domestic demand was augmented by buying from the UK, Germany and France. Back Page

**Coal pits of despair**
Ukraine's mighty coal industry has sunk into utter decay and despair, bringing down the two-year old nation's economy with it. Page 28

**Rentokil keeps to 20% growth**
Shares in Rentokil slipped by 7½p to 248½p in spite of the UK environmental and property services company maintaining its 12-year record f compound growth in profits and earnings in excess of 20 per cent. Page 23

**Paper maker says recovery has started**
The paper industry has begun to recover after five years of decline, according to Arjo Wiggins Appleton, the Anglo-French paper manufacturer. It said that paper prices had begun to rise in the last quarter of 1993. Page 24

**Brewers exposed to the elements**
Last week Whitbread, the large brewer, sold £225m worth of shares in eight smaller brewers, ending the "Whitbread umbrella" which protected regional brewers from takeover by bigger rivals. The question now is: are the regional brewers being thrown to the wolves? *Some editions of yesterday's FT carried this summary prematurely. We apologise for the error.* Page 26

**UB shows its scars**
United Biscuits, the UK biscuits and snack manufacturer, showed the scars of competition on both sides of the Atlantic. Page 18, Page 25

**Legal & General ahead 56%**
Legal & General, the UK life and general insurer, announced a 56 per cent rise in profits. Page 18

**Companies in this issue**



**Market Statistics**



**Chief price changes yesterday**

| FRANKFURT (DM) | | | |
|---|---|---|---|
| Rises | | | |
| Beiersdorf | 878 | + | 35 |
| Linotype-Hell | 395 | + | 10 |
| Falls | | | |
| Asko Pf | 940 | - | 40 |
| DLW | 513 | - | 8.5 |
| Hertie | 415 | - | 9 |
| Porsche | 907 | - | 12 |

| NEW YORK ($) | | | |
|---|---|---|---|
| Rises | | | |
| Alcoa | 75 | + | 1¼ |
| US Surgical | 19½ | + | 1⅝ |
| Lotus Dev | 63¼ | + | 3⅞ |
| Falls | | | |
| Delta | 49¾ | - | 1 |
| Fed Express | 70⅝ | - | 1¼ |
| Gen Electric | 102⅝ | - | 1 |

New York prices at 12.30pm.

| PARIS (FFr) | | | |
|---|---|---|---|
| Rises | | | |
| Accor | 726 | + | 16 |
| Cred Lyon | 732 | + | 17 |
| Immobanque | 579 | + | 28 |
| Radiotec | 875 | + | 25 |
| Rousselot | 578 | + | 17 |
| Falls | | | |
| El Coleah | 668 | - | 13 |

| TOKYO (Yen) | | | |
|---|---|---|---|
| Rises | | | |
| Daiken | 842 | + | 34 |
| Ganzei | 714 | + | 31 |
| Yamatake H'well | 1810 | + | 100 |
| Falls | | | |
| Asahi Bank | 1080 | - | 50 |
| Colonade | 578 | - | 17 |
| Sumitomo Realty | 685 | - | 22 |

| LONDON (Pence) | | | |
|---|---|---|---|
| Rises | | | |
| Arjo Wiggins | 302 | + | 15 |
| Avon Rbr | 58 | + | 4 |
| Bell Bros | 171 | + | 8 |
| Crodaforde | 156 | + | 5 |
| Graham Tele | 82 | + | 7 |
| Hillsdown | 171 | + | 7 |
| Huntingdon | 24 | + | 4 |
| Jupiter Tyndall | 279 | + | 18 |
| Kwik-Fit | 167½ | + | 11 |
| OCC Intl | 155 | + | 6 |
| Oliver Grp | 135 | + | 4 |
| Schroders NV | 1173 | + | 38 |
| Trace Indemnity | 94 | + | 4 |
| Utd Biscuits | 349 | + | 11 |
| Falls | | | |
| Baynes (C) | 77 | - | 3 |
| CALA | 137 | - | 5 |
| Edmond Hldgs | 22½ | - | 2½ |
| Gold Greenlees | 184 | - | 55 |
| Guinness | 484 | - | 18 |
| Learmonth Burch | 95 | - | 44 |
| Reed Intl | 878 | - | 27 |
| Sleepy Kids | 99 | - | 6 |
| Telspec | 273 | - | 10 |

# BMW stays in front of rivals

By Christopher Parkes in Frankfurt

BMW has once again proved the leading light of the German automotive industry, according to figures released yesterday.

Riding on the strength of a DM516m ($293m) net profit last year, and an unchanged dividend, the Munich-based performance car maker unveiled plans to raise around DM800m through a rights issue.

Daimler-Benz, on the other hand, with more than three times the turnover of BMW, managed a net return of only DM600m, compared with DM1.45bn last time, according to Mr Edzard Reuter, group chairman. A reduced dividend was not impossible, he told journalists in Berlin.

Bringing up the rear, the troubled Volkswagen group came in as expected with a DM1.9bn loss, but maintained its DM2 payout as an indicator that the company was on the road to recovery.

Surprise of the day was BMW's one-for-11 rights issue, approved at a meeting of the supervisory board, which includes two representatives of the majority stakeholding Quandt family, which will accordingly put up most of the new capital. The proposal for a nominal DM82m capital hike to DM884m, with the new ordinary shares priced at DM500 and preferred stock at DM365, will be put to the annual meeting on May 19. The new shares will carry full 1994 dividend rights, the company said.

BMW's stock rose sharply in after-hours trading in Frankfurt yesterday. Although around DM10 down on the day at DM860, it was close to its recent record high.

Porsche, the loss-making sports carmaker this week also announced a rights issue on the strength of the stock markets' favourable response to its claims of a return to "decent" profits in 1997.

Although BMW's 1993 net earnings fell almost 30 per cent from DM726m in the previous year, the company said recently it expected an increase of 20 to 30 per cent this year, excluding any profits from the Rover group, just purchased for £800m ($1.1bn).

Last year's profits at the German parent, BMW AG, rose marginally to DM452m.

The company repeated yesterday that it had no need of a rights issue to finance the Rover deal, struck at a price equivalent to the development costs of a single new model. Observers said with long-term interest rates tending upwards, and BMW stock so much in favour, the issue was a sensible step.

The deficit at VW, revised from December forecasts of DM2.3bn, reflected the strains of a period which started last March with management forecasts of a break-even result for 1993.

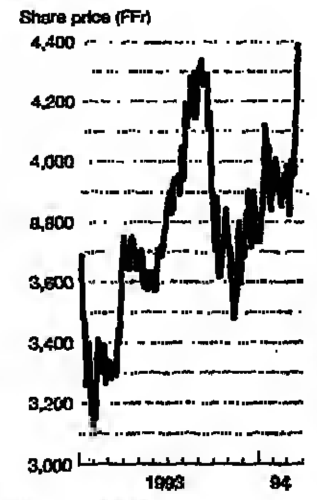
The main source of the loss was the near-collapse of the Spanish subsidiary Seat, and unexpected losses at the Audi luxury division.

The German parent company, VW AG, has been empowered to bolster Seat's liquidity by paying DM1.2bn in return for its Pamplona factory, which manufactures VW marque Polos.

Group sales fell to DM76.6bn from DM85bn a year earlier, and the VW AG parent company earned a net DM71m after DM132m in 1992.

■ Recovery in US and UK ■ Rising champagne sales ■ Strong Japanese market

# Hopes high at LVMH after 19% growth




Bernard Arnault: sales up 28 per cent figures in first two months

By John Ridding in Paris

LVMH, the French luxury goods group, yesterday announced net profits of FFr3.57bn ($590m) for 1993, a 19 per cent increase over the previous year, and forecast strong earnings growth this year.

Mr Bernard Arnault, chairman, said encouraging developments had emerged since the final quarter of 1993. He cited economic recovery in the US and the UK, higher champagne sales, lower financial charges and a strengthening of the Japanese cognac market. The improvement was reflected in sales figures for the first two months which, he said, rose by 28 per cent compared with the same period in 1993.

The group said net profits should rise by more than 20 per cent this year if the progress experienced in the past few months continues.

The shares climbed by nearly 5 per cent to close at FFr4,389.

Last year's profits were boosted by exceptional gains, largely resulting from the sale of the group's RoC cosmetics business. Without these FFr602m gains, the company would have recorded profits of FFr2.97bn, a slight fall, on 1992 but at the top end of expectations. Sales grew 10 per cent to FFr23.8bn.

The cognac and champagne businesses contrasted with luggage and perfumes. In cognac and spirits depressed demand prompted a fall in operating profits from FFr2.29bn to FFr1.91bn. Champagne produced flat results of FFr780m, despite a 7 per cent rise in turnover.

Operating profits in the luggage and leather goods division grew from FFr1.87bn to FFr2.32bn, while perfumes and beauty products advanced from FFr809m to FFr852m.

Earnings growth this year is expected to be supported by reduced financial charges resulting from the reorganisation of its shareholdings with Guinness of the UK. The January reorganisation, in which Guinness swapped its indirect 24 per cent stake in LVMH for a direct stake in the French group's champagne activities, brought estimated proceeds of about FFr11bn for LVMH.

Mr Arnault said various acquisitions were under consideration, but declined to be more specific. Industry observers expect, however, that the group will take full control of Guerlain, one of France's most famous fragrance houses in which LVMH has held a 15 per cent stake since 1987.

In line with Mr Arnault's optimistic scenario, the company is proposing a dividend of FFr15 per share, an increase of 10 per cent.

Lex, Page 16

# Guinness slips as sales volumes remain flat

By Paul Taylor in London

Guinness, the brewing and spirits group, yesterday reported a 12 per cent decline in pre-tax profits to £702m ($1bn) after exceptional charges of £173m related to a restructuring with LVMH.

The figure compares with pre-tax profits of £795m in 1992 when the group took a £125m charge to cover reorganisations of Scotch whisky production and the Cruzcampo brewing business in Spain.

Sales increased by 7 per cent to £4.66bn, but would have been just 1 per cent higher without beneficial currency effects.

Although the results were in line with expectations Guinness's shares fell 18p to 484p after Mr Tony Greener, chairman, cautioned: "At this point of the year there is no sign of generally improved market conditions."

Nevertheless he expected a modest improvement in profits this year. Commenting on the 1993 performance he said: "In a year of severe economic downturn in a number of major markets, pre-tax profits on a comparable basis were 1 per cent lower, demonstrating once again the resilience of the group."

United Distillers showed a 9 per cent decline in operating profits to £701m, while the contribution from Guinness Brewing Worldwide fell 7 per cent to £237m. On a like-for-like basis, excluding the effects of exchange rates and other non-comparable items, Mr Greener said spirits profits slipped 3 per cent while beer was down 1 per cent. Spirits sales rose 7 per cent to £2.77bn, mainly due to exchange rate movements. Volumes rose 1 per cent to 52m cases, with Scotch whisky up 3 per cent at 27m.

However, sales growth was mainly in the standard and lower priced brands and premium sales were flat. Prices rose by an average 1 per cent, reflecting exceptionally competitive market conditions and depressed consumer confidence.

Brewing sales increased by 6 per cent to £1.89bn. At level exchange rates, the rise would have been 2 per cent. Total volumes were level at 24.4m hectolitres, but excluding acquisitions they were slightly down.

Net interest charges fell by 8 per cent to £188m. Net debt fell by £155m to £1.87bn at the end of December. Diluted earnings per share of 22.9p were 18 per cent lower but a final dividend of 9.18p lifts the total payment to 12.8p, an increase of 8 per cent.

Lex, Page 16

# Viacom puts tough guy into Paramount

By Martin Dickson in New York

Mr Jonathan Dolgen, known as one of Hollywood's shrewdest deal-makers and toughest managers, is quitting Sony Pictures Entertainment to head a new film and television group at Viacom, after its $10bn takeover of Paramount Communications.

The appointment is a key one for Viacom, because Paramount's Hollywood operations have a lacklustre record, even though they were the main prize in the bitter takeover battle. Viacom needs to effect a sharp improvement to justify the high price it paid.

Mr Dolgen's move, announced by Viacom yesterday, is a fresh blow to Sony Pictures Entertainment, which owns the Columbia and Tristar studios and has suffered a mixed box office record and senior management upheaval.

Mr Dolgen, 48, was president of Sony's motion picture group, where he was responsible for the business rather than creative side, and renowned for reining back its once lavish expenditure.

He has a reputation as an intimidating manager, with a confrontational style: his office at Fox Inc, where he worked before joining Sony, was nicknamed the "house of pain and suffering".

His move comes as Japan's Sony, which paid $3.4bn for Columbia in 1989, is exploring the possible sale of a minority stake in its motion

Mr Dolgen, 48, will be chairman of Viacom Entertainment Group, which will oversee Paramount's film and television business and incorporate Viacom's substantial television production, distribution and broadcasting operations. It does not include Viacom's cable television networks, such as the MTV pop music video channel.

Viacom also announced that the two existing heads of Paramount's film and television operations would be staying on and reporting to Mr Dolgen. They are Ms Sherry Lansing, who heads the motion picture business, and Mr Kerry McCluggage, who is in charge of the television production side.

There had been speculation that Ms Lansing, who has only been at Paramount for 16 months, might be ousted. But Mr Frank Biondi, chief executive of Viacom, said: "Sherry has done a wonderful job of rebuilding the studio."

# Reed Elsevier advances 30% but issues caveats

By Raymond Snoddy in London

Reed Elsevier, the Anglo-Dutch information and publishing group, yesterday celebrated its first year as a combined operation by announcing a 30 per cent increase in pre-tax profits to £534m ($779m) from £412m.

But the City marked down the shares of both partners, after warnings that price increases were more difficult to achieve in low inflation conditions and that paper and print costs were subject to upward pressures. In London, Reed International closed down 27p at 878p and Elsevier dropped £1.33 to £62.90.

Mr Peter Davis, co-chairman, responded: "We were not trying to signal an end to improvement in margins. We intend to continue to improve them."

Reed Elsevier's 1993 sales rose 14 per cent to £2.8bn, although the improvement was only 2 per cent stripping out currency factors and acquisitions. Operating profits rose 17 per cent to £558m.

During tha year Reed Elsevier spent £403m on acquisitions, including £277m on Official Airline Guides. Further acquisitions are likely this year, particularly in legal publishing, although the importance of continued organic growth was stressed by senior executives.

Mr Pierre Vinken, co-chairman, commented that if the group stopped making acquisitions, "you can say goodbye to double digit growth".

Professional publishing achieved 14 per cent underlying growth, excluding currency changes, acquisitions and pension credits. Business publishing came second with 12 per cent, while consumer rose 9 per cent. Scientific and medical was confined to 2 per cent, partly because of uncertainty in pharmaceuticals markets. The company warned that although 1993 ended more strongly than it began, there remained grounds for caution in the UK and US, while in continental Europe indications of any recovery in trading conditions were "very limited".

For Reed International shareholders, earnings per share rose 40 per cent to 37.4p – or 17 per cent to 35.8p excluding exceptionals. The full-year dividend goes up 12 per cent to 18.75p. For Elsevier shareholders, the earnings increase was 20 per cent to Fl 7.96 – or 16 per cent to Fl 7.63 – and the dividend virtually doubles to Fl 5.19.

Anditor change, Page 23; Lex, Page 16

# BASF bears witness to upturn

By Christopher Parkes in Frankfurt

Firm signs of recovery after a four-year slump in tha German chemicals industry emerged yesterday as BASF reported improved earnings and sales in the first two months of the year.

Mr Jürgen Strube, chairman, said all divisions, except plastics and fibres, were making operating profits but they, too, should be back at break-even levels by the end of the year. An improvement on last year's net earnings of DM858m ($507m) was possible despite an expected sharp increase in corporate taxes.

Group turnover of DM6.7bn in January and February was up 4 per cent on a like-for-like basis. Mr Strube also noted a double-digit rise in orders at the parent company, BASF AG.

"We have come off the starting blocks well," he said, reflecting mounting confidence elsewhere in the sector. But he warned that recovery was likely to be slow and a worldwide improvement in chemicals markets could not be expected before next year.

BASF's pre-tax profits last year, confirmed yesterday at DM1.06bn, down 14.6 per cent, were less than a quarter of the record DM4.4bn earned in 1989.

A breakdown of 1993 sales, published yesterday, showed the impact of the European recession. While turnover from North and Latin America increased by 7.6 and 14 per cent respectively, generating DM11bn in revenues, European sales dropped 8 per cent to DM25bn. Germany, which accounts for half the gronp's European business, sbowed a 12 per cent fall.

Plastics and fibres, BASF's biggest single division, and agricultural chemicals – both plagued by overcapacity and price erosion – recorded sales declines of 6 and 19 per cent respectively.

Mr Strube, appointed at the start of the slump in 1990, said restructuring would continue. Product areas offering no long-term prospects of acceptable results would be examined to see if co-operation with other manufacturers, sale or closure would yield improvements.

Restructuring efforts last year included buying Mobil Chemicals' polystyrene business and ICI's European polypropylene operations. BASF also reduced its workforce by 9 per cent and 4,000 more job cuts are planned.

3i
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# Hoogovens improves but still Fl 234m in the red

By Ronald van de Krol in Ijmuiden

Hoogovens, the Dutch steel and aluminium company, narrowed its losses in 1993, with the steel division turning in a small profit but aluminium activities falling further into the red.

The company's net loss was more than halved to Fl 234m ($123m) from Fl 595m in 1992, when the figures were heavily influenced by restructuring provisions of Fl 370m. The 1993 figures included slightly more than Fl 60m in extraordinary charges.

Hoogovens, which raised more than Fl 360m in a rights issue in late 1993, said yesterday that it would again omit its dividend to shareholders. It also announced plans for e convertible subordinated bond issue of at least Fl 275m.

Group turnover feil to Fl 7.22bn from Fl 7.72bn in 1992, reflecting an erosion in selling prices for both steel and aluminium. This external price decline offset part of Hoogovens' internal achievement in getting its costs down by Fl 450m last year. Since 1991, Hoogovens has achieved internal cost savings of Fl 900m.

Despite lower demand for steel in Europe and the fall in general prices, Hoogovens' steel division managed to post a pre-tax operating profit of Fl 5m, a strong reversal of the previous year's loss of Fl 234m. This was achieved partly through a boost in exports to non-European markets such as China and the US.

However, pre-tax operating losses in aluminium widened to Fl 265m from Fl 162m. Aluminium prices have been hit by surplus stocks worldwide, exacerbated by the stream of cheaper aluminium from the former Soviet Union.

For 1994, Hoogovens is forecasting that it will make a modest profit before extraordinary items. The recovery in steel is expected to continue, while aluminium will see some improvement, though this division is projected to remain loss-making.

# Ahold overcomes US downturn

By Ronald van de Krol

Ahold, the Dutch food retailer which baa built up a large presence in the eastern US, posted a 12.5 per cent increase in 1993 net profit, with improved results in the Netherlands and acquisitions in Portugal compensating for e slight fall in earnings in the US.

Net profit rose to Fl 343.1m ($180.6m) from Fl 305m in 1992. The company, which is preparing to take over its sixth US supermarket chain, said operating profits in the US should show clear improvement in 1994, and forecast an increase in full-year net earnings for the group as a whole.

Ahold is to increase its dual-currency dividend to Fl 0.62 and $0.23 per share, from Fl 0.57 and $0.22 in 1992.

Turnover in 1993 jumped by 25.5 per cent to Fl 27.1bn, of which about four-fifths was due to the first-time consolidation of Schuitema, Ahold's majority-owned Dutch wholesaler, as well as to acquisitions of supermarkets and bypermarkets in Portugal.

At home in the Netherlands, operating profit soared by 32.6 per cent to Fl 296.7m, with around two-thirds of the rise due to acquisitions. Ahold's Dutch supermarket chain, Albert Heijn, is the country's leading food retailer with a 26.9 per cent share of the domestic market, up from 26.6 per cent in 1992.

In the US, improved results were reported by three of the group's chains – BI-LO, Giant Food Stores and Tops – but its two others, Edwards and Finast, posted "disappointing" results. Overall, US operating profit slipped to $161.9m from $169m.

In February Ahold signed e letter of intent on the acquisition of Red Food Stores, a Tennessee-based supermerket chain with annual sales of $585m.

It expects to conclude the transaction by late April.

# Competition hits United Biscuits

By Tony Jackson in London

United Biscuits, the UK biscuits and snack manufacturer, showed the scars of competition on both sides of the Atlantic yesterday with sweeping restructuring charges totalling £121m ($180m).

The company said that its US subsidiary, Keebler, will undergo radical changes in distribution and manufacture. In Europe there will be 500 job losses, three-quarters of them in the UK.

The charges helped pull UB's pre-tax profit down to £116.7m for the year, a fall of 28 per cent, Underlying profit was also lower at its all-important UK biscuit and snacks businesses.

Mr Eric Nicoll, chief executive, said this was due less to competition than to rises in raw material prices, partly caused by sterling's devaluation, which the group was unable to pass on at a time of low inflation.

In the US, restructuring costs will total £92.5m, of which £11.2m had already been announced for the closure of a snack factory at Raleigh, North Carolina.

Keebler, which has only 4 per cent of the US salted snack market, is to withdraw from 25 per cent of the US geographically.

UB said it lost money on $250m of snack sales last year, and had made no profit in snacks since attacking the market five years ago.

The dividend was held unchanged at 15.3p for the year.

Lex Page 20; Details Page 25

# Crédit du Nord losses rise sharply

By John Ridding in Paris

Crédit dn Nord, the retail banking arm of the Paribas financial group, yesterday announced a sharp increase in net iosses to FFr610.9m ($106m) for last year from FFr253.4m in 1992

Mr Bernard Auberger, chairman, said the bank was aiming to break even this year but warned that the property market remained difficult.

Increased provisions of FFr1.8bn, up from FFr1.6bn in 1992, reflected the weak state of the real estate market and largely accounted for the rise in losses.

Crédit dn Nord said that its target of breakeven for this year, with profits in 1995 and 1996, required an increase in its capital hase.

Paribas, its parent company, said it would inject FFr818m of new capital and subscribe, et market rates, to a FFr1.5bn subordinated convertibie bond issue.

# Upturn at Legal & General

By Alison Smith in London

Legal & General, the UK lifa and general insurer, yesterday announced a 56 per cent rise in 1993 pre-tax profits to £181m ($270m) for 1993.

UK life and pensions profits increased by 9.6 per cent to £119.6m and results were also belped by a recovery in general UK insurance.

The main factor in the rise in UK premium income from £1.6bn to £1.9bn was single premium business, in particular sales of L&G's unitised with-profits bonds.

UK general insurance made a profit of £39.5m, compared with a loss of £46.7m. Mr David Prosser, chief executive, said that L&G no longer had to make mortgage indemnity provisions, as it did in 1992.

The group's overseas general insurance operation was sharply cut as L&G withdrew from 20 of its 21 agencies.

Lex, Page 16

# Recovery heralded at MoDo

By Christopher Brown-Humes in Stockholm

A long-awaited upturn in the forestry cycle was eignalled yesterday hy MoDo, one of Sweden'a leading forestry groups, when it announced a sharply reduced loss for 1993 and predicted a strong return to the hlack this year.

Mr Bernt Löf, chief executive, said: "The upturn in the market which we clearly saw in the last quarter of 1993 is gaining momentum. The balance between snpply and demand is improving."

He noted that prices for pulp and fine paper had already risen strongly this year and predicted increases for other products.

MoDo said the price rises and its own competitive position should enable it to produce e profit of more than SKr1bn ($127m) in 1994.

Like other Swedisb forestry groups, its position has been improved by cost-cutting, lower interest rates and the weaker krona. It expects capacity utilisation at its units to rise to 90 per cent this year, from 85 per cent in 1993.

Last year, tbe group cut losses after financial items to SKr449m from SKr1.51bn, with the deficit in the fourth quarter amounting to only SKr22m, against SKr824m in the same 1992 period.

The group said higher volumes, increased productivity and a near SKr2bn reduction in costs since 1990 had helped to compensate for the fall in market prices during the year.

Sales expanded to SKr17.1bn from SKr15.7bn. There was an operating profit of SKr687m, compared with a SKr407m deficit in 1992.

MoDo felt the full effects of rationalisation and the weaker krona in its Swedish uuits, where operatiug profits reeched SKr1.2bn after a SKr182m loss in 1992.

However, a deeper operating loss of SKr522m at its French unit proved n drag on the result, as did the higher costs of servicing foreign debt.

The French operations were negatively affected by tbe strong franc and iow market prices.

The group is not proposing a dividend for the second year running.

# Norwegian insurer well ahead

By Karen Fossli in Oslo

Vital Forslkring, one of Norwoy'a top three insurers, has reported a sharp rise in 1993 operating profit, helped by a substantial increase in financial income and lower interest rates, which pushed up the value of its securities portfolio.

Operating profit jumped to NKr3.32bn ($453m) from NKr824m as premiums increased to NKr3.31bn from NKr2.8bn. Gross financial income nearly doubled in 1993 to NKr5.14bn from NKr2.63bn.

Vital has proposed lifting the 1993 dividend by NKr1 to NKr5.75. Group operating expenses rose to NKr570m from NKr548m but costs, as a percentage of premiums, fell by 2.4 percentage points to 17.2 per cent.

The company said that since 1990 its cost ratio has declined by 34 per cent as a result of increased premium volume and it aims to cut the ratio to 13 per cent by 1997.

Vital said that premiums from group pension policies increased by 31.6 per cent, while premiums for individual annuity and pension insurance were 0.1 per cent lower. Group life premiums were 4.9 per cent up on 1992, while individual life insurance premiums increased by 8.9 per cent.

According to the Norwegian Insurance Association, Vital increased overall market share to 21.1 per cent in 1993 from 17.8 per cent in 1992.

The value of shareholdings and other investments rose to NKr4.31bn in 1993 from NKr3.45bn while bonds increased to NKr19.33bn from NKr13.81bn.

Separately, the group said it was finalising negotiations to acquire a large property in central Oslo, comprising 75,000 square metres, from Sweden's Skanska group for NKr1.3bn.

Vital said the pending deal was one of the largest property transactions ever carried out in Norway.

The group's real estate portfolio comprises a gross area of an estimated 270,000 square metres and a book value of more than NKr1.9bn. In 1993, real estate activities provided a rate of return of 8 per cent.

# Advance by Celsius Industries

By Christopher Brown-Humes

Celsius Industriee, the newly-privatised Swedieh defence contractor, yesterday announced a SKr721m ($92m) profit after financial items for 1993, up 32 per cent from a year earlier.

The group, whicb accounts for around 50 per cent of the Swedisb defence industry, benefited from rationalisation, its purchase of CelsiusTech and a strong contribution from Safe Partners, the accommodation rig company in which it hoids 40 per cent.

A dividend of SKr6.50 per share is proposed.

The operating result improved by SKr322m to SKr348m as saies grew to SKr11.6bn from SKr10.5bn. Lower interest rates meant the group's financial income dropped to SKr373m from SKr519m.

Orders rose by SKr4.5bn to SKr11.6bn during the year to take the group's order book at the year-end to SKr25.6bn.

CeisiusTech, which was bought from Nobel Industries early last year, made a first time contribution of SKr135m. Kockums, the submarine unit, saw a slight weakening of its result to SKr209m from SKr221m.

Most disappointing was the performance of Bofors, the weapons systems division, where profits balved to SKr112m from SKr220m. The unit was hit by lower sales and redundancy costs.

# Lufthansa beats target with reduction in deficit

By David Waller in Frankfurt

Lufthansa, the German airline set for privatisation later this year, performed better than expected in 1993. The parent company returned a pre-tax loss of DM50m ($30m) compared with DM297m in the previous year. This reduction in losses was better than the target of halved losses, the airline said yesterday.

The improved results reflected a boost in sales combined with reduced costs. The number of passengers carried rose by 3.8 per cent and the volume of freight by 5.4 per cent.

This helped offset falling prices and turnover remained flat at the 1992 level of DM15bn.

Total operating costs dropped by DM500m during the year, 3 per cent of the total. This was mainly due to staff cuts; the number of employees fell by 4,000 during the year, saving DM300m.

Lufthansa has already said that it aims to break even at the group level in the current year after losses of less than DM500m in 1993.

The government is likely to reduce its 51 per cent stake this year by not taking up its entitlement to new shares in a large rights issue planned by the airline.

# Fund income boosts Swiss lift group

By Ian Rodger in Zurich

Schindler, the world's second largest elevator and escalator group after Otis of the US, has reported a 52.3 per cent jump in consolidated net profit for 1993 to SFr168.6m ($117.6m), thanks entirely to earnings from liquid funds.

The Lncerne-based group said revenues were flat at SFr4.6bn and trading profits were near 1992 levels in spite of the difficult economic environment and negative foreign currency effects. New orders were up 5 per cent to SFr4.4bn but orders on hand slid 6.7 per cent to SFr2.67bn.


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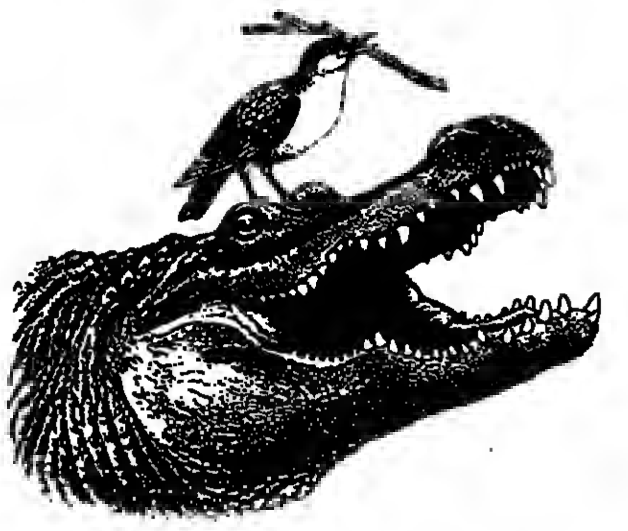

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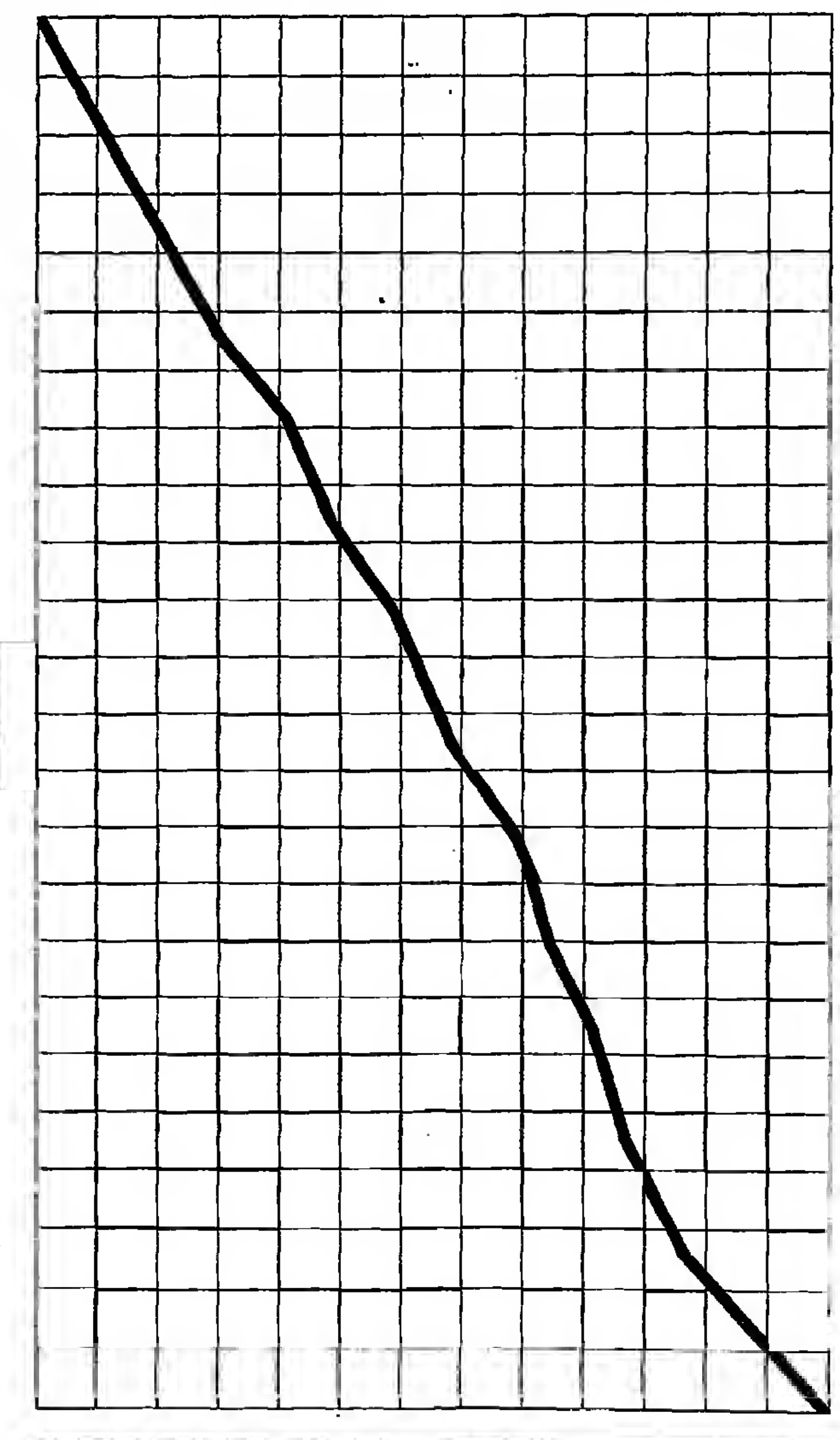

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INTERNATIONAL COMPANY NEWS

# Japanese groups form multi-media venture

By Michiyo Nakamoto in Tokyo

Four Japanese companies have formed a multi-media venture that could prove a strong force in advanced communications in Japan.

Tokyo Power Electric, Mitsubishi and Mitsui, the trading companies, and Tokyu, a railway company, are to work together on a project to use cable TV networks for telephone services.

The project will test the possibility of linking an optical fibre cable network with a cable TV network to offer multi-media services. The TV link is operated by Tokyu Cable, part of the Tokyu group.

The project will initially look at technical and marketing problems, but will eventually study bringing together broadcasting, telephonic and interactive video services.

Tokyo Electric Power, Mitsubishi and Mitsui also have stakes in a cable network. The alliance is widely seen as creating a foundation for a telecommunications network which could compete effectively with the industry leader, NTT.

The move comes amid deregulation of Japan's telecommunications and cable TV industries. The ministry of posts and telecommunications recently said it would allow cable TV companies to offer telephone services on their lines.

The project also highlights growing expectations in Japan that the multi-media business will offer huge prospects for growth.

Until recently, multi-media and the information superhighway in Japan were considered over-regulated.

However, the Japanese authorities have recognised their economic potential and taken cautious steps to ensure the country does not fall too far behind the US.

Earlier this week, a government panel forecast that multi-media business would be a Y70,000bn ($662bn) industry in the near future.

# Sanyo Securities unveils Y80bn write-off

By Emiko Terazono in Tokyo

Sanyo Securities, the troubled Japanese broker, yesterday announced a restructuring plan under which it will write off Y80bn ($756.5m) of bad loans at its finance subsidiaries over the next nine years.

It is also raising Y20bn in capital through a rights issue to its three leading creditor banks and to Nomura Securities, its largest shareholder.

Mr Takashi Kaminami, Sanyo director, said the broker would suffer a pre-tax loss of Y8bn for the year to March 31 due to losses from non-performing loans at its three non-bank finance affiliates. Sanyo, one of Japan's 10 second-tier brokers, reported a pre-tax loss of Y33.4bn the previous year, and had hoped for a profit of Y200m this year.

The decision comes after months of negotiations among the three creditors – Bank of Tokyo, Daiwa Bank and Nippon Credit Bank – and Nomura Securities. The banks have agreed to lower interest rates on the loans to the Sanyo subsidiaries to 1.25 per cent.

Sanyo said of the Y114.3bn in outstanding loans at Sanyo Sogo Capital, its largest finance affiliate, Y70bn were non-performing. The broker plans to sell Y40bn of its securities over the next few years to raise capital to cover part of the losses.

The announcement comes a week after a rescue plan for Kankaku Securities, another second-tier broker which is to write off Y50bn in losses stemming from illicit client deals. Daiwa Bank, a commercial bank, last year bailed out Cosmo Securities, which was also suffering from heavy losses.

Japan's medium-sized brokers have been the hardest hit by the Tokyo stock market slump. Sanyo said it still had to conclude some negotiations and hoped to announce a detailed plan by the end of this month.

Meanwhile, other Japanese brokers announced revisions in earnings forecasts for the current year to March 31. They blamed lower-than-expected turnover on the Tokyo stock market.

Nomura Securities, the industry leader, scaled down its earlier pre-tax estimate of Y70bn to Y50bn, against a pre-tax profit of Y2.4bn the previous year. Second-tier brokers expecting to fall into the red in spite of earlier profit expectations include Cosmo Securities, forecasting a loss of Y5.4bn, Dai-Ichi Securities, at Y7.2bn, and Yamatane Securities with a Y3.3bn deficit.

# Bad loans shatter a broker's biggest dream

## The house is paying for over-expansion during the 'bubble' era, writes **Emiko Terazono**

When officials from the Bank of Tokyo, Daiwa Bank and Nippon Credit Bank moved into Sanyo Securities in August to help with its restructuring programme, they expected the worst.

"We thought we would have to deal with all sorts of irregular deals and illicit transactions done during the 'bubble' period," says one banker.

Sanyo's broking books, however, proved to be financially healthier than feared. Mounting bad loans at its finance subsidiaries turned out to be the core problem.

It took months of haggling for Sanyo, its creditor banks and Nomura Securities, its largest shareholder, to put together a restructuring deal agreeable to all.

Sanyo is one of Japan's 10 medium-sized broking houses which rank below the Big Four – Nomura, Daiwa, Nikko and Yamaichi.

The second-tier brokers proved more vulnerable than their bigger counterparts to volatile share prices, mainly because of increased costs stemming from over-expansion in the late 1980s, and the lack of financial reserves.

For Sanyo, which has been one of the most aggressive among the middle-rankers, the restructuring plan announced yesterday symbolises the death of grand ambitions.

Mr Yoichi Tsuchiya, Sanyo president, anticipating the reduction of barriers between the banking and securities industries, saw the company becoming a large financial conglomerate with broking and banking as its two main pillars. It built a huge Y8bn ($75.7m) trading office in central Tokyo, and ploughed cash into its finance subsidiaries, which in turn lent aggressively to property concerns.

Mr Tsuchiya was hailed as one of Japan's most successful young businessmen. Had the stock market continued to rise, along with trading volumes, Sanyo would have been among the handful of brokers with the operational capacity to cope.

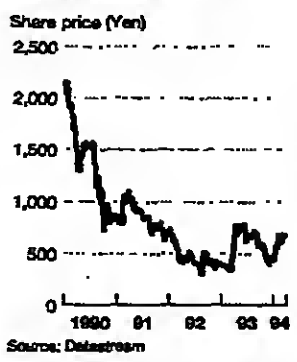
The plunge in Japanese shares, however, put paid to the medium-sized brokers' ambitions to join the ranks of the Big Four.

Weaker houses have been forced to seek help from key shareholders. Cosmo Securities was bailed out by Daiwa Bank last year, becoming a subsidiary, while Dai-Ichi Kangyo Bank extended support for Kankaku Securities through subordinated loans.

And analysts expect to see more bail-outs of medium-tier securities houses.

Japan's ministry of finance is anxious to prevent brokers failing and so further weaken frail investor confidence. It is twisting the arms of banks and larger brokers with large shareholdings in the weak brokers to help with their restructuring.

**Sanyo Securities**




Source: Datastream

The main problem facing medium-sized brokers is that most have been unsuccessful in diversifying their revenue sources.

They are highly geared to equity commissions, and in most cases are twice as dependent on such commissions as the top four. Nomura, for example, derives only one-fifth of its revenues from equity commissions.

Reduced ability to cut costs may also hurt the medium-sized brokers. On average, they have succeeded in cutting costs by between 10 and 20 per cent in the two years to last March, but financial analysts point out that the room for further cost-cutting is limited.

Most of the second-tier brokers have already cut personnel costs by reducing salaries and overtime and streamlining branch networks. Further streamlining may hurt client bases.

However, Ms Alicia Ogawa, financial specialist at Salomon Brothers, says brokerages are taking comfort in the slight upturn in the Tokyo stock market.

She says that as long as current market conditions remain, the brokers will "continue to limp along," unless, of course, they are hit by a very big loss.

# Dairy Farm advances 11% despite currency movement

By Louise Lucas in Hong Kong

Dairy Farm International, the food retailing arm of Hong Kong's Jardine Matheson group, yesterday reported an 11 per cent rise in net profits to US$197.5m for 1993, up from $177.8m the year before.

Mr Tim Weatinghouse, finance director, said earnings were hit by currency fluctuations, especially in Australia and the UK, combined with a competitive retail climate and low inflation in many of the countries in which the group operates. Nonetheless, the results were ahead of market expectations.

Earnings per share climbed 4 per cent to 11.28 cents, following last year's $202m rights issue of convertible preference shares. Shareholders will receive a final dividend of 4.1 cents, up from 3.9 cents a year ago.

Profits before interest fell 15 per cent to $64.8m in Australia, where the group operates 238 Franklins stores and three Big Fresh outlets, partially due to the fall in currency but also because of increased overheads prompted by Sunday trading and the move into Big Fresh.

Contributions from the UK, where Dairy Farm owns 29 per cent of Kwik Save, were lifted by record earnings at the discount store; but the Spanish retail chain Simago continued to make a loss. The chain, acquired in 1990, is expected to turn into the black this year.

Asia produced $93.6m of profits before interest, with Wellcome supermarkets in Taiwan making their first full-year profit. In Hong Kong, the supermarkets performed satisfactorily in spite of spiralling wage and rental costs.

Dairy Farm also announced its intention to buy up "odd lots" of shares from Hong Kong and Singapore small investors – some 30 per cent of the firm's shareholders hold fewer than the 1,000 shares which make up a board lot – at a 5 per cent premium to the market price: a move which could potentially cost the group $1.8m if fully taken up. It affects just 0.06 per cent of Dairy Farm's issued share capital.

THE MALAYSIA CAPITAL FUND LIMITED

*Notice of expiry of warrants to subscribe for ordinary shares of US$1.00 each of The Malaysia Capital Fund Limited*

The board of directors of The Malaysia Capital Fund Limited (the "Company") would like to remind holders of the above warrants (the "Warrants") that under the terms and conditions of the Warrants (the "Conditions"), the rights to exercise the Warrants will expire at the close of banking business in Brussels on 31st March, 1994. Any Warrants which have not been exercised on or before such time will lapse and cease to be valid for any purpose.

Holders of Warrants who wish to exercise them must deposit the documents and subscription monies required by the Conditions with Morgan Guaranty Trust Company of New York at Avenue des Arts 35, 1040 Brussels, Belgium on or before the close of banking business in Brussels on 31st March, 1994.

The last trading day of the Warrants on the Amsterdam Stock Exchange (the "Stock Exchange") will be 31st March, 1994. Listing of the Warrants on the Stock Exchange will be withdrawn with effect from the close of business on 31st March, 1994.

The closing prices of the Warrants and of the ordinary shares of the Company as quoted on the Stock Exchange on 15th March, 1994 were US$4.30 per Warrant and US$15.30 per ordinary share respectively. The current Subscription Price (as defined in the Conditions) of the Warrants is US$10.

By order of the Board
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Secretary

*17th March, 1994*

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Notice is hereby given to the holders of the Bonds that, as a result of a resolution of the Board of Directors of TriGem Computer, Inc. dated 27th January, 1994 the Company has authorized an issue to domestic investors of ₩5,000,000,000 6½ per cent. Convertible Bonds due 1997. The Conversion Price of the Bonds has, pursuant to the provisions of the Trust Deed constituting the Bonds, been adjusted from ₩26,452 to ₩26,226 with effect from 7th February, 1994.

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18th March, 1994

Swire Pacific

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| Highlights | | |
|---|---|---|
| Profit attributable to shareholders | US$597M | +5% |
| Investment property portfolio | US$7,203M | +44% |
| Net assets per share | US$4.93 | +33% |
| Earnings per share | US37.6¢ | +5% |
| Dividends per share | US14.6¢ | +11% |

"**Prospects.** The overall outlook for the Swire Pacific Group for 1994 is good. The Property Division will again show strong growth in earnings. Cathay Pacific Airways expects 1994 to be a difficult year but other businesses within the Group should perform well."

P D A Sutch
*Chairman, Swire Pacific Limited*
*Hong Kong, 14th March 1994*

Notes:
1. Amounts per share refer to "A" shares. Entitlements of "B" shareholders are in proportion 1 to 5 compared with those of "A" shareholders.
2. Dividends are declared in Hong Kong dollars.

MINORCO

RESULTS FOR THE SIX MONTHS ENDED DECEMBER 31, 1993

STEADY PERFORMANCE DESPITE WEAK COMMODITY PRICES

- Completion of the merger transaction to acquire interests in gold, base metals, industrial minerals and pulp, paper and packaging.
- Earnings before extraordinary items decreased by 10% to US$106 million while earnings after extraordinary items increased by 23% to US$164 million.
- Interim dividend maintained at 19 US cents per share.
- Operating earnings, now representing the largest component of earnings, increased by 77% to US$67 million compared with the previous half-year (restated to reflect merger transaction).
- Investment disposals realised US$450 million and Minorco invested US$270 million in existing and new businesses
- Proposed change in year-end to December 31.

RESULTS

| US$ millions except per share amounts* | Half-year to December 31, 1993 | Half-year to December 31, 1992 Restated | Year to June 30 1993 Restated |
|---|---|---|---|
| Sales | 1,200.5 | 1,172.0 | 2,776.4 |
| Operating earnings | 66.6 | 37.7 | 139.8 |
| Earnings before taxation | 127.0 | 149.4 | 340.0 |
| Earnings before extraordinary items | 105.9 | 117.8 | 251.9 |
| Earnings before taxation per share ($) | 0.56 | 0.66 | 1.51 |
| Earnings before extraordinary items per share ($) | 0.47 | 0.52 | 1.12 |
| Dividends declared per share ($) | 0.19 | 0.19 | 0.57 |

*Based for all periods on 225.3 million shares in issue.

INTERIM DIVIDEND

An interim dividend of 19 US cents per share has been declared for the year to June 30, 1994 payable to shareholders registered in the books of Minorco at the close of business on April 8, 1994. The interim report will be mailed to shareholders on or about March 24, 1994. Copies may be obtained from the UK transfer agent, Barclays Registrars, Bourne House, 34 Beckenham Road, Kent, BR3 4TU

MINORCO

MINORCO SOCIETE ANONYME, LUXEMBOURG, MARCH 17, 1994

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TO THE HOLDERS OF

**PWA CORPORATION**

Common Shares,

$2.4375 Cumulative Redeemable Retractable First Preferred Shares, Series A and 7 7/8% Convertible Subordinated Debentures and

**CANADIAN AIRLINES INTERNATIONAL LTD.**

Yen Denominated Perpetual Debt

**NOTICE OF APPLICATION FOR FINAL ORDER**

Relating to the Plan of Arrangement, as Amended, Proposed by PWA Corporation and Canadian Airlines International Ltd.

NOTICE IS HEREBY GIVEN THAT PWA Corporation ("PWAC") and Canadian Airlines International Ltd. ("Canadian") will make an application before the Honourable Chief Justice W.K. Moore in Chambers at the Court House, 611 - 4th Street S.W., Calgary, Alberta, Canada, on Wednesday, the 30th day of March, 1994 at 2:00 p.m. (Calgary time), for a final order (the "Final Order") pursuant to Section 186 of the Business Corporations Act (Alberta) (the "Act") approving the plan of arrangement (the "Plan of Arrangement") described in the Management Proxy Circular of PWAC dated July 27, 1993 as subsequently amended (the "Amended Plan of Arrangement").

AND FURTHER TAKE NOTICE THAT application will be made for a Final Order providing the following:

a) a declaration that the terms and conditions of the Amended Plan of Arrangement are fair to the persons affected thereby;
b) approval of the Amended Plan of Arrangement pursuant to the provisions of Section 186 of the Act;
c) a declaration that the Amended Plan of Arrangement will, upon the filing of Articles of Arrangement under the Act and the issuance of the Certificate of Amendment under the Act, be effective under the Act in accordance with its terms; and
d) such other and further orders, declarations and directions as the Court may deem just.

At the hearing of the application the Court will be advised that changes have occurred in relation to the Plan of Arrangement since it was approved on August 27, 1993 by special resolutions of holders of Common Shares and $2.4375 Cumulative Redeemable Retractable First Preferred Shares, Series A (collectively, the "Shareholders") and by extraordinary resolution of the holders of 7 7/8% Convertible Subordinated Debentures and holders of the Yen denominated perpetual debt of Canadian (collectively, the "Subordinated Debtholders"), including the following: PWA has prepared a supplemental Restructuring Plan and an updated financial projection for the years ended December 31, 1994 and 1995 and has released its audited financial statements for the year ended December 31, 1993.

Shareholders and Subordinated Debtholders and other interested parties who wish to receive further information concerning these changes and the application for the Final Order should contact Messrs. Bennett Jones Verchere, Attention: A.L. Friend, 4500 Bankers Hall East, 855 - 2nd Street S.W., Calgary, Alberta T2P 4K7, telephone (403) 298-3182, facsimile (403) 265-7219.

This Notice is published pursuant to the Interim Order of the Honourable Chief Justice W.K. Moore of the Court of Queen's Bench of Alberta, Canada dated the 22nd day of June, 1993, as amended July 16, 1993.

DATED at Calgary, Alberta, March 18, 1994.

PWA CORPORATION
CANADIAN AIRLINES INTERNATIONAL LTD.



**Income after financial items increased by 6% to SKr 1,562m (1992: 1,477).**

**Net income per share rose to SKr 23.75 (22.60).**

**Proposed dividend increase from SKr 9.00 to SKr 10.00 per share. In addition a 5:1 split of shares is proposed.**

**Continued improvement in earnings is expected in 1994.**

The AGA Group's sales rose by 35% to SKr 16,063m, and operating income increased by 28% to SKr 1,648m, due to higher exchange rates and contributions from the cold storage companies acquired around year-end 1992 – French CEGF and German Bremerhavener Kühlhäuser.

**Gas Operations'** sales increased by 27% to SKr 11,385m, and operating income by 18% to SKr 1,373m (1,159). Although the continued recession in most European countries, and in Venezuela and Mexico, subdued growth, most gas companies reported satisfactory development, due among other things to extensive rationalization programs. Investments in new plant and equipment totaled SKr 1,346m (1,517), which corresponded to 12% (17) of sales. New operations were started in Latvia, Lithuania, Poland and Kaliningrad.

**Frigoscandia's** sales amounted to SKr 4,688m, an increase of 18% excluding the contribution from the new companies. Operating income rose by SKr 145m to SKr 275m, an increase that came from the new companies. The Food Process Systems business area reported a return to satisfactory earnings, while Food Services noted a weaker income trend.

The associate company **Gullspångs Kraft** reports a 33% increase in income after financial items to SKr 608m (457). AGA's share of this income was SKr 206m (145).

*The Annual General Meeting will be held on May 5.*

| 1993 Summary SKr million | 1993 | 1992 |
|---|---|---|
| Sales | 16,063 | 11,870 |
| Operating income | 1,648 | 1,289 |
| Net financial items | -327 | -3 |
| Share of income in Gullspångs Kraft | 206 | 145 |
| Income in other associate companies | 35 | 46 |
| Income after financial items | 1,562 | 1,477 |
| Net income | 1,136 | 1,007 |
| Net income per share, SKr | | |
| - after paid tax | 26.65 | 26.40 |
| - after full tax | 23.75 | 22.60 |

| SKr million | 1993 | 1992 |
|---|---|---|
| Liquid assets | 2,021 | 2,020 |
| Other current assets | 4,285 | 3,624 |
| Shares, etc. | 2,031 | 2,472 |
| Land, buildings, machinery, etc. | 14,454 | 11,628 |
| Total assets | 22,791 | 20,552 |
| Loans | 6,400 | 6,175 |
| Other current liabilities | 4,056 | 3,054 |
| Other long-term liabilities, etc. | 4,025 | 3,745 |
| Shareholders' equity | 8,310 | 7,578 |
| Investments in plant, etc. | 1,663 | 1,756 |
| Return on shareholders' equity, % | 14.3 | 14.8 |
| Dividend per share, SKr | 10.00 | 9.00 |

AGA is one of the world's largest gas companies with operations in 12 countries in Europe, the U.S. and Latin America. Frigoscandia is the world's leading company for the freezing, storage and transport of food. The associate company Gullspångs Kraft is one of the largest power producers in Sweden.

AGA

AGA Aktiebolag, S-181 81 Lidingö, Sweden



Baer Holding Ltd.

**From strength to strength in 1993**

Consolidated Key Figures

| | | 1992 | 1993 | Change % |
|---|---|---|---|---|
| Net profit | Sfr.m | 68 | 147 | +117 |
| Cash flow | Sfr.m | 118 | 225 | + 91 |
| Return on equity % | | 10.4 | 18.4 | + 77 |
| Total assets | Sfr.bn | 6.3 | 7.7 | + 23 |
| Equity | Sfr.m | 674 | 919 | + 36 |
| Staff | | 1387 | 1438 | + 4 |
| Clients' assets | Sfr.bn | 33.0 | 44.9 | + 36 |
| Mutual funds | Sfr.bn | 3.1 | 5.4 | + 77 |

The Julius Baer Group offers services in investment advice and asset management – for both private and institutional clients worldwide – as well as in brokerage and foreign exchange trading. The flagship of the Group is Bank Julius Baer, founded in 1890.

JB&B

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Zurich Geneva Frankfurt London New York Hong Kong


# INTERNATIONAL COMPANY NEWS

## Citicorp creates post of head of credit cards

By Richard Waters in New York

*Citicorp*, the US's biggest credit card issuer, has handed responsibility for its US and European cards business to a new executive, marking the latest senior-level reshuffle in the international credit card industry.

Both Visa and MasterCard have recently replaced long-serving chairmen. The moves signal growing competition between banks and other issuers in the credit card industry, as well as a shift in focus away from the mature US market.

Citicorp said it had created a new position of head of credit cards for the US and Europe. Previously, responsibility for credit cards had rested with regional managers, who had responsibility for all retail banking products.

The bank named Ms Roberta Arena as the first head of the cards business, catapulting her into one of the most prominent positions in the industry. She is now general manager of the US cards business, and was previously in charge of European credit cards.

The bank has been largely successful in defending its market position in the US against new entrants in recent months.

The reshuffle in part indicates an intention to shift emphasis to other markets with better growth prospects. Citicorp has 29m cardholders in the US, compared with 600,000 in Europe.

Mr James Bailey, who had run all of the bank's US consumer banking businesses since the beginning of 1992, has been named head of global transaction services.

## Richard Tomkins reports on Northwest's problems and prospects

# Floating in a much colder climate

Pity Northwest Airlines. Back in January, it might have made sense for the fourth-biggest US carrier to plan a return to the stock market this month with an initial public offering worth about $400m.

With hindsight, the timing could hardly have been worse.

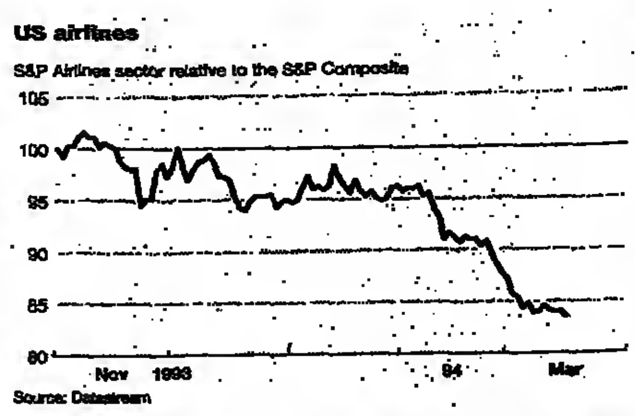
The company's executives must have watched aghast as the climate for the offering turned from fair to abysmal. First, the US domestic air fare war was given fresh momentum by the outbreak of a new battle in the east coast market.

Then USAir, the sixth-biggest US carrier, warned that competition from low-cost carriers would cause it to lose even more money than last year's net loss of $349m. Next, stock market analysts started reassessing their forecasts of a current year recovery for the US airline industry.

By Wednesday this week, Northwest was slashing the expected asking price from its earlier target range of $19-$21 a share to $13 or $14.

But yesterday came yet another blow to the offer when American Airlines, the second-biggest US carrier, confirmed reports that it was heading for worse-than-expected losses in its first quarter.

Even before the spate of bad news began, enthusiasm for the offer had been tepid. Just six months earlier, in July 1993, the airline's heavy debts and mounting losses had come within a whisker of taking it into bankruptcy.




Northwest was not the only airline losing money: the US industry as a whole had lost $10bn in the preceding three years. But Northwest's problems were worse than most other companies' because the airline had been taken private in 1989 through a highly-leveraged buy-out that left it burdened with $3.4bn of debt.

Unable to service its debts, Northwest narrowly avoided bankruptcy by deferring $3.1bn worth of new aircraft deliveries over the next eight years and reaching an agreement with its unions cutting $886m from labour costs over the next three years. These moves persuaded its creditors to defer the maturities of $1.8bn worth of debt obligations due between now and 1996.

Since then, the airline has done relatively well. It was the only one of the five biggest US airlines to turn in a profit in last year's fourth quarter. (It made a net profit of $10.5m compared with net losses of $695m the previous time.) Analysts have predicted that the combination of Northwest's lower debt and labour costs combined with a pick-up in the US air travel market could bring net profits of $300m to $400m this year.

By some measures, the airline's prospects are attractive. Its markets are less exposed to low-cost competition than those of some other US carriers; it is building a global route network through its strong strategic alliance with KLM, the Dutch carrier, which holds a 21 per cent stake in the company; and it is by far the strongest US carrier in the US-Japan market.

Investors, however, remain cautious. Many of the measures that have led to Northwest's recovery sound more like a temporary reprieve than a permanent solution. The labour cost agreement, for example, was for three years only, so wages will snap back to pre-concession levels in August 1996; the deferred debt of $1.8bn will still become payable in 1997; and aircraft renewals cannot be put off forever. Nor does it help that Fortune magazine recently ranked the company as far down as number 400 in a list of the 404 most admired US companies.

At the top of the original targeted range, Northwest's initial public offering would have raised $420m before underwriting fees, with the bulk of the money being applied towards debt reduction. By the middle of this week, that figure had shrunk to something nearer $280m, and looked as if it could be going still further downwards.

The figures may seem almost irrelevant in the context of the airline's $4.4bn of net debt at the end of last year. But analysts assume that the offering was aimed at re-establishing the company on the stock market to open the way for further, larger scale fund raisings in the future. A flop now will ougur badly for the future.

## Governments cut Daf stake to under 50%

By John Griffiths

The Dutch and Flemish governments have cut their combined holding in Daf from 52.5 per cent to 48.6 per cent. Last year, the two governments led the rescue of the Dutch truck maker.

Mr Cor Baan, Daf chairman, confirmed a net profit of Fl 10.8m ($5.40m) in the company's truncated financial year from March 2 to December 31. However, he warned that the company still faced very difficult market conditions. He indicated that further job cuts and cost-savings might be necessary.

Rather than having any immediate impact on the way Daf is run, the move to a minority stake by the two governments was seen as a gesture towards Brussels, and its reluctance to see overt intervention by governments in corporate rescues.

The rest of the shares in Daf Trucks NV, created with Fl 463.3m of risk capital a year ago, are held by an Amro-led consortium of banks and institutional investors. The company indicated there were unlikely to be further substantial changes in the equity structure "for the foreseeable future".

Daf's net profit was on turnover of Fl 1.3bn. It made Fl 24.1m at the operating level.

In spite of the slump in continental Europe's main truck markets, Mr Baan said he expected further growth and "noticeably higher" profits in the current year.

Production volumes were now 10 per cent higher than the 40 vehicles a day originally planned.

However, Mr Baan warned Daf's 3,445 employees that costs must be reduced further and that "a large number of proposals have been developed which in 1994 and 1995 should result in a further structural fall in the cost level".

The company delivered 9,432 vehicles in its first financial year, 5,880 of them Dutch-built and the remainder from the UK-based Leyland Trucks, now a separate company.

## Bugatti ownership revealed

By Kevin Done, Motor Industry Correspondent

Mr Romano Artioli, an Italian entrepreneur, has emerged as the 100 per cent owner of Bugatti International, the Luxembourg-registered holding company, which last year acquired Group Lotus, the UK sports car maker and automotive engineering consultancy from General Motors.

The ownership of Bugatti International has remained a mystery ever since the company was formed in the late 1980s, with ambitious plans to revive the prestigious Bugatti marque and develop a new range of 200mph supercars.

Mr Mario Barbieri, vice-chairman of Bugatti Automobili, said that Artioli family interests now held 100 per cent of the equity in Bugatti International, following a move by Mr Artioli to exercise various options allowing him to take full control.

Bugatti International is planning to seek outside finance to help fund ambitious new model programmes that are being developed by both Group Lotus and Bugatti Automobili.

Bugatti refused to reveal the identity of the previous shareholders, but said that Mr Artioli had held a majority interest in Bugatti International from the onset.

Bugatti has engaged CS First Boston as financial adviser, and Price Waterhouse as auditor.

## Bekaert recovery continues

By Gillian Tett in Brussels

Bekaert, the Belgian wire and steel cord producer, yesterday announced net profits of BFr2.2bn ($60m).

The result marked the second year in which Bekaert had succeeded in breaking out of its former loss-making position, after the BFr1.05bn sale of its shares in a Japanese steel cord joint venture had boosted its total profits last year to BFr2.71bn. Without this item profits were ahead 35 per cent.

Baron Jean Charles Velge, chairman, said although the market for steel and wire cord continued to suffer from falling prices and currency devaluation, Bekaert had boosted profits by expanding into key niche areas.

The board has proposed a dividend of BFr300 per share, up from BFr250 in 1992.

● CBR, the Belgium cement company, announced that operating profits before depreciation had risen by 5.7 per cent last year to BFr10bn.

But with most of the rise due to improvements from its US operations and profits from its newly acquired East European cement works, the group admitted it had experienced a difficult year in Western Europe.

As a result the board proposed the dividend per share should fall to BFr604, down from BFr606 the previous year.

The results were the first indication of the group's performance since Heidelberg Zement, the German construction group, bought a 43 per cent stake in the company from Société Generale de Belgique last September.

## Chile reviews telephone tariff proposals

By David Pilling in Santiago

Telephone tariff proposals that have indirectly caused the suspension of shares in Chilean telecommunications group CTC have been sent back to regulatory authorities for possible revision.

The sub-secretary of telecommunications, Mr Jorge Rosenblut, said he did not believe the review would "lead to any significant changes" in the tariff structure which, as stands, is expected to have a negative impact on CTC profits.

CTC, 43 per cent owned by Telefonica of Spain, is Chile's biggest company with a market capitalisation of over $4bn. The company trades one quarter of its shares in New York through American depository receipts.

● Banco de Chile, the country's largest private bank, yesterday became the second company within a week to have its shares suspended in Santiago.

A government watchdog cited a "legal ruling" that had prevented Banco de Chile from "pronouncing over an essential matter at a shareholders' meeting" that was to have taken place yesterday.

## Risk control helps Kredietbank rise 15%

By Gillian Tett

Kredietbank, one of Belgium's largest private banks, yesterday said a programme of diversification and risk control had helped it to boost profits by 15.1 per cent last year.

Total consolidated net profit for 1993 was BFr9.8bn ($269m), up from BFr8.5bn the previous year.

The board has proposed a dividend of BFr200 per share, up from BFr185 per share in 1992.

Kredietbank said the growth in profits, which was broadly in line with market expectations, had occurred even though its operations in the Belgium business sector had been hit by falling demand for credit and a rising level of write-offs during the past year.

"The worst recession since the second world war ... and an unfavourable situation between short and long-term interest rates led to weak domestic demand for credit, an appreciable increase in write-downs for credit to Belgium businesses and great pressure on the interest rate margin," the bank said.

However, this had been largely offset by an expansion in international lending and home loans.

Meanwhile, customers' deposits had risen by 15.3 per cent in 1993 to BFr1.4bn.

Most of the growth was due to an expansion of time deposits and savings certificates.


COMPAGNIE BANCAIRE

COMPAGNIE BANCAIRE
FRF 800,000,000
FLOATING RATE NOTES
DUE 1997

For the period March 16, 1994 to June 15, 1994 the new rate has been fixed at 6.24809 % P.A.
Next payment date: June 16, 1994
Coupon nr: 15
Amount:
FRF 157,69 for the denomination of FRF 10 000
FRF 1578,97 for the denomination of FRF 100 000

Notice is hereby given that pursuant to paragraph "Purchase and Redemption" (d) "Redemption at the option of the Noteholder", of the Terms and Conditions of the Notes, no Notes have been presented for redemption on the Interest Payment Date falling on March 16, 1994.
Nominal amount outstanding after March 16, 1994: FRF 451.140.000

THE PRINCIPAL PAYING AGENT SOGENAL
SOCIETE GENERALE GROUP
15, avenue Emile Reuter
LUXEMBOURG



To the Holders of Warrants of

**NAGOYA RAILROAD CO., LTD.**

(the "Company")

Issued in conjunction with

U.S. $150,000,000

2½ per cent. Notes 1997

NOTICE OF ADJUSTMENT OF SUBSCRIPTION PRICE

NOTICE IS HEREBY GIVEN pursuant to Clause 4(c) of the Instrument dated 28th January, 1993 under which the above described Warrants (the "Warrants") were issued and Condition 11 of the Terms and Conditions of the Warrants that the Board of Directors of the Company passed a resolution on 31st January, 1994 to make a stock split whereby one share of its common stock will be split into 1.03 shares effective as of 20th May, 1994 to the shareholders of the Company of record on 31st March, 1994.

As a result of such stock split, the Subscription Price at which shares of common stock of the Company are issuable upon exercise of the Warrants will be adjusted as follows:

Subscription Price before adjustment: ¥457.0 per share
Subscription Price after adjustment: ¥443.7 per share

Such adjustment to the Subscription Price shall be effective as of 1st April, 1994 (Japan Time).

**The Industrial Bank of Japan Trust Company**
as Disbursement Agent
on behalf of:
**Nagoya Railroad Co., Ltd.**
Dated: 18th March, 1994.



**Notice to the Holders of Warrants to Subscribe for Shares of Common Stock of**

**Sanyo Electric Railway Co., Ltd.**
**Kobe City, Japan**

(the "Company")

Issued in conjunction with

U.S. $80,000,000

4⅞ per cent. Guaranteed Notes 1995

NOTICE IS HEREBY GIVEN that on 22nd February, 1994 the Board of Directors of the Company resolved to make a stock split on 20th May, 1994 (Japan time) of the Company in the form of a free distribution of shares of common stock of the Company to its shareholders of record as of 31st March, 1994 (Japan time) at the rate of 0.05 new share for one share so recorded.

Such stock split will result in an adjustment of the subscription price of the Warrants (the "Subscription Price") pursuant to Condition 7 of the Terms and Conditions of the Warrants scheduled to the Instrument executed as of 28th February, 1991 by the Company relating to the Notes with Warrants as follows:

Subscription Price before adjustment: Yen 610.5
Subscription Price after adjustment: Yen 581.4
Effective date: 1st April, 1994 (Japan time)

This announcement is made pursuant to Condition 11 of the Terms and Conditions of the Warrants.

By order:
**IBJ Schroder Bank & Trust Company**
as Disbursement Agent
Dated: 18th March, 1994.

# German bank gets bonus from Luxembourg arm

By David Waller, recently in Luxembourg

Deutsche Bank Luxembourg, the largest bank in the Grand Duchy, is paying its German parent bank a special dividend of DM174m ($103m) on top of a normal dividend of DM124m after making record profits last year.

Pre-tax profits at the Luxembourg arm of Germany's biggest bank rose by 44.4 per cent from DM440m to DM636m. The increase reflected wbat Mr Ulrich Weiss, chairman of the bank's advisory board, called an extraordinary constellation of favourable factors.

Profits from private customer business more than quadrnpled, Mr Weiss explained at a press conference earlier this week, while the bank benefited from buoyant trading conditions in the world securities markets last year.

In addition, Deutsche Bank Luxembourg profited from the sale of Third World debt at higher prices than its written-down value. This gave rise to a profit of DM209m, which Mr Weiss aaid would have been treated as an extraordinary gain in the previous year. Profits from mainstream lending business rose 12 per cent.

The profits contribution from private customer business was not quantified, but Mr Weiss said that the number of customers increased by 28 per cent last year, with a 56 per cent increase in special depository accounts for securities. The volume of funds under management in these accounts doubled to DM5.8bn.

The spectacular increase in profits highlights a massive transfer of funds from Germany to Luxembourg in recent years, triggered largely by the perceived tax benefits of investing in the Grand Duchy.

The first catalyst to the flow of funds to Luxembourg came at the end of 1991 when the Federal Constitutional Court in Karlsruhe ruled that interest income should be subject to a withholding tax.

A 30 per cent withholding tax was introduced at the beginning of last year, prompting further transfers of capital, but the capital flows have partially reversed more recently in anticipation of a modification to the tax regime.

This flow of funds back into Germany – DM25bn in the last quarter of 1993 – is one of the main reasons for the 20 per cent-plus increase in German M3 money supply in January.

Although investing in Luxembourg is not illegal for German citizens, the German tax authorities last montb launched a raid on Dresdner Bank, Germany's second-biggest bank, claiming that the bank was actively helping its customers evade tax.

# Email buys out US group

By Nikki Tait

Email, the Australian domestic appliance manufacturer and distributor, said yesterday that it was buying the joint venture which it owns with Westinghouse, the troubled US group, for around A$65m (US$46m).

The Email-Westinghouse venture was set up in 1985, and has annual sales of around A$120m.

Its operations span a number of areas, including switchgear, metering equipment, air handling and printed circuit board products. Its main manufacturing sites are in Sydney, Melbourne, Brisbane and Manila.

Email said that all the businesses are currently profitable and it expects the deal to enhance earnings per share. As part of the deal, the 11.1m shares in Email owned by the joint venture will be sold via Potter Warburg, the Australian broker.

Due to this associated share sale, Email took the opportunity yesterday to make a profits forecast for the year ending this month. It said trading had been better than anticipated, and that "this provides confidence that last year's reported profit of A$60.1m will he exceeded by not less than 40 per cent".

● NRMA, the Australian insurance group, said yesterday that it will decide whether to float on the Australian stock market in August.

If it goes ahead, policyholders will be asked to vote on the plan in October, and the listing could take place in November.

# Brierley sells stake in CHH

By Terry Hall in Wellington

Brierley Investments has sold an 8.5 per cent stake in forestry group Carter Holt Harvey (CHH) for NZ$518m (US$298m) cash to International Paper of the US.

CHH was controlled by a joint venture of International Paper and Brierley Investments, with each partner owning a 16.5 per cent stake.

Brierley will continue to hold 8 per cent of CHH through the joint venture company, and has no plans to sell further shares.

It became a shareholder in CHH in 1990, when the group faced a liquidity crisis.

Mr Paul Collins, Brierley chief executive, said the company had been a significant contributor to the substantial "enhancement" of CHH's value.

Brierley had stabilised the ownership structure, underwritten two capital issues which together raised NZ$855m, and set up the joint venture holding company with International Paper.

CHH, now managed by International Paper, has large forests in New Zealand and Chile.

# Earnings ahead to $66m at Minorco

By David Blackwell

Minorco, tbe offsbore investment arm of South Africa's Anglo American gronp, lifted operating earnings to $66.6m from $37.7m in the six months ended December. Turnover increased to $1.2bn from $1.17bn.

The Luxembourg-listed gronp last November completed a $1.43bn asset swap with Anglo, which owns 46 per cent of the shares. It took control of Anglo's non-diamond interests outside Sonth Africa.

Tbe gronp, wbicb has restated figures for the 1992 half to reflect the asset swap, said that for tbe first time operating profits were its main source of earnings. "This completes the transformation from a bolding company to an operating natural resources group," said Mr Hank Slack, president and chief executive.

Significantly lower financial income helped to reduce earnings before extraordinary items to $105.9m from $117.8m. Bnt extraordinary gains of $57.7m, mainly from profits on the sale of its stake in Charter Consolidated and Zambian Copper Investments, left net earnings at $164m, against $133m. The interim dividend is 19 cents.

Tbe group is proposing to change its financial year-end to a calendar year to bring it into line with North and Soutb American practice. It will pay a final dividend for the year to June, followed by a second final for the 18 months ending December this year.

Minorco now operates four divisions – gold, base metals, industrial minerals, and pulp and paper. Gold prodnction improved hy 5 per cent to 331,200 ounces at an average price of $380 an ounce, np from $353. Copper production rose to 51,400 tonnes from 46,300 tonnes, with an average price 13 per cent down at 92 cents a pound.

The group invested $270m in existing and new businesses in the half. At the end of December net casb stood at $842m, compared with $1.04bn last time.

# Qantas in the black at half-time

By Nikki Tait in Sydney

Sharply-reduced interest charges and higher passenger volumes have allowed Qantas, the state-owned Australian airline in which British Airways bolds a 25 per cent interest, to announce an after-tax profit of A$71.6m (US$51m) for tbe six months ended December.

This compares with a A$365.5m loss in the same period of the previous year, but the 1992-93 figure was struck after A$433.2m of abnormal items, primarily write-offs and restructuring expenses arising from the merger of Qantas, traditionally Australia's international carrier, with Australian Airlines, the large domestic airline. There were no abnormal items in the latest set of figures.

Qantas said yesterday that operating profit, before tax and abnormals, rose from A$33.8m to A$100.5m, with total operating revenues standing at A$3.46bn, against A$3.44bn.

Even this comparison, bowever, was muddied because Australian was included for only four months in 1992, compared with the full six months last time. If Australian bad been included for the full six months in 1992, Qantas estimated that the most recent figures would have sbown a 10.3 per cent rise in revenues and an increase in operating profits from A$27.6m to the A$100.5m figure.

Qantas described the results as "creditable," hut admitted that operating yields had fallen on both domestic and international operations, hitting profitability. Staff-related costs increased "significantly", wbile fuel costs rose in line with the increase in available seat kilometres – up 8.7 per cent on international routes and 11.1 per cent on domestic.

Net interest costs, by contrast, fell very significantly, to A$38.3m from A$122.3m. This follows the recapitalisation of the group and the injection of the British Airways investment in February 1993.

Mr Gary Pemberton, Qantas chairman, warned yesterday that the seasonal downturn in traffic during the current six months would mean that the second-half results are weaker than those just reported.

"I would expect something less than the first-half result in the current period," he said.

# Political anchors on Qantas float

## No date has been set for the airline's sell-off, reports Nikki Tait

A big political question mark overshadows the latest results from Qantas. Will the airline be floated this autumn? Or will it come to the stock market in mid or even late 1995, a full two years later than the Australian government originally planned?

Mr Gary Pemberton, Qantas' chairman for the past year, says the decision must be made in the current financial year to allow for all the administrative work involved in the "early" privatisation option.

And be is blunt about Canberra's options: "It's going to be judgment call for them, and not an easy one. They've got, in many ways, conflicting considerations. One is the state of the share market, which at the moment is strong – that would argue for going earlier.

"On the other hand, Qantas has been subject to very significant changes – the merger with Australian, and in its management. The business is improving, and we're making progress. So from that point of view, you'd be persuaded to give it more time."

This is Mr Pemberton playing diplomat. Pushed a little further, he admits that management wants to wait – a view also expressed by British Airways' chairman, Sir Colin Marshall – and cites two simple reasons.

First, there is Qantas' profitability – or lack of it. "We've set ourselves a [profits] target of over A$400m (US$285m). That's what we've set as the right return on shareholders' funds," be says. "We never quite meant it as a precondition to privatisation. What we were really conveying is that any discretionary shareholders will be looking for that sort of return. The yardstick has to be a normal commercial yardstick, not what people might be satisfied with because the airline industry's going through a tough time."

**"From a management perspective, we'd like to have the time. It's easy to overlook the fact that privatisation, and all the due diligence, is a horrendous process for management"**

Secondly, there is enormous internal upheaval which currently suffuses Qantas, as it tries to blend long-standing international operations with Australian's domestic network and undertakes an extensive executive overhaul. "From a management perspective, we'd like to have the time. It's easy to overlook the fact that privatisation, and all the due diligence, is a horrendous process for management."

Yesterday's resnlts will almost certainly add ballast to the Qantas/BA point of view. Net profits of A$71.7m, coupled with Mr Pemberton's prediction that the second half will be "something less," suggest that Qantas will miss its A$400m target by a very large margin in 1993-94.

Moreover, much of the latest improvement seems to come from lower interest charges – the product of a recapitalisation which accompanied BA's A$665m investment last year. Adjusting to reflect a full six-month contribution from Australian in the first half of 1992-93, Qantas calculates that first-half operating profits rose by around A$73m, year-on-year. The fall in interest charges, net of the increase in depreciation and amortisation costs, explains more than A$47m of this.

Yesterday Qantas declined to quantify the fall in operating yields during the first half – beyond saying that, in percentage terms, it was in single digits. But it did make it clear that the affected both domestic and international operations, although the latter suffered more markedly. Since December, it suggests that the overall position is little changed from last year.

While reporting only "acceptable" figures for the first half, Qantas also plays up the extent of the changes which its new management still feels the carrier needs to make.

"I think there's a very big issue about the quality of our revenues – the markets we're in, the routes that we're flying. There's a lot of room for improvement," says Mr James Strong, who took over as managing director last autumn.

Then there is the labour situation. "I don't believe the company has got anywhere near the productivity trade-offs that we should have got in terms of the enterprise bargaining agreements that were entered into," he continues.

Even in those areas where optimists might envisage short-term progress, the carrier takes a very cautious line. Qantas, for example, said that its American routes continued to make losses in the first half – in contrast to Japan, the Orient, New Zealand and the UK. But the Pacific market has seen two major US players – Continental and Northwest Airlines – retreat during recent months. Fares have jumped significantly.

But Mr Strong refuses to be bullish. "There's a tendency to say, they've gone, terrific, everyone's going to make money in the Pacific. But there really are tremendous time-lags. It's been a sea of red ink for a long, long time and it's not suddenly going to be awash with US greenbacks."

In short, Qantas has made its case for a late float. Over to Canberra.


*These securities have not been registered under the Securities Act of 1933 and may not be offered or sold in the United States except in accordance with the resale restrictions applicable thereto. These securities having been previously sold, this announcement appears as a matter of record only.*

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Merrill Lynch International Limited

March 1994



PLACER DOME INC.

Rex J. McLennan

The appointment by the Board of Directors of Rex J. McLennan to the position of Treasurer of Placer Dome Inc. effective March 15, 1994 is announced by Ian G. Austin, Senior Vice-President and Chief Financial Officer. Mr. McLennan joined Placer Dome as Assistant Treasurer in September 1991 following an 11-year career with a multinational oil and gas company. As Treasurer, he will be responsible for developing strategies to finance Placer Dome's growth, and for corporate risk management, group tax and treasury operations. Mr. McLennan has a Bachelor of Science degree in Mathematics and Economics from the University of British Columbia in Vancouver and a Master of Business Administration degree from McGill University in Montreal. Placer Dome Inc. is a major global mining company whose principal product is gold. Placer Dome's 16 mining operations are conducted in Australia, Canada, Chile, Papua New Guinea and the United States of America.



*Annual Meeting of Shareholders*

The Annual Meeting of Shareholders will be held on Thursday, April 28, 1994, 10:00 a.m. at the BASF-Feierabendhaus, Leuschnerstraße 47, Ludwigshafen/Rhine, Germany

Agenda

1. Presentation of the Financial Statements of BASF Aktiengesellschaft and BASF Group for 1993; presentation of the 1993 Annual Report covering BASF Aktiengesellschaft and the BASF Group; presentation of the Supervisory Board Report.
2. Declaration of dividend.
3. Ratification of the actions of the Supervisory Board.
4. Ratification of the actions of the Board of Executive Directors.
5. Appointment of auditors.

Shareholders wishing to participate in the Annual Meeting and to exercise their right to vote must have deposited their shares during normal office hours and in the prescribed form at a depository bank. The shares should remain deposited until the conclusion of the Annual Meeting. Shareholders have the right to vote by proxy. Depository banks and the full Agenda are published in the "Bundesanzeiger" of the German Federal Republic Nr. 53 of March 17, 1994.

Depository banks in the U.K.:

Morgan Grenfell & Co. Limited
S.G. Warburg & Co. Ltd.

The deposit is only effective if the shares are submitted by Wednesday, April 20, 1994.

The Board of Executive Directors
Ludwigshafen/Rhine,
March 17, 1994

BASF Aktiengesellschaft
67056 Ludwigshafen

BASF



£200,000,000
MFC Finance No. 1 PLC
Mortgage Backed Floating Rate Notes Due October 2023
In accordance with the Terms and Conditions of the Notes, notice is hereby given that the new interest rates and periods in respect of the subject Notes are as follows:-
By: Citibank, N.A. Issuer Services
March 18, 1994, London
CITIBANK



NOTICE OF DIVIDENDS IN SHARES
and Conversion Price Adjustment
Daewoo Heavy Industries Ltd.
US$40,000,000
3 per cent. Convertible Bonds 2001
Notice is hereby given to the holders of 3 per cent. Convertible bonds 2001 of Daewoo Heavy Industries Ltd. that at a Meeting of the Board of Directors held on 14th December, 1993 the company resolved to declare Dividends in Shares to the Shareholders registered as of 17:00 hours on 31st December, 1993 in proportion of 0.02 Shares per one Share and the payment of Dividends in Shares was approved by the Shareholders at the General Meeting of Shareholder held on 28th February, 1994 and as a result of Dividends in Shares the Conversion price was Decreased from Korean Won 6,110 to Korean Won 5,990 per share effective retroactively 1st January, 1994.
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## INTERNATIONAL CAPITAL MARKETS

# Prices weaken as Bundesbank confirms rate fears

By Conner Middelmann in London and Frank McGurty in New York

European government bonds weakened in moderate turnover following the Bundesbank's decision to leave German interest rates unchanged.

### GOVERNMENT BONDS

Although few market participants had seriously expected a rate-cut announcement, there had been lingering hopes for a small cut in the 6.25 per cent emergency Lombard rate, or an announcement of fixed-rate securities repurchase agreements at a lower rate.

"It was a classic case of silly stories making the rounds," said Mr Huw Roberts, European bond strategist at NatWest Markets. He expects the Bundesbank to continue lowering its repo rate gradually in coming weeks.

Until the Bundesbank's council returns from its four-week Easter break, central-bank watchers will shift their gaze to the US Federal Reserve, whose open-market committee is due to meet on Tuesday.

Many European dealers are hoping for another Fed tightening sooner rather than later. This, accompanied by further European rate cuts, is seen to help European bonds separate from the US Treasuries market.

■ After firming at the open on short-covering in the futures market, UK gilts took another tumble after German rates were left unchanged. Moreover, after reports of overseas selling on Tuesday, some traders said the market was awash with unwanted supply.

The Treasury's announcement that it was giving the Bank of England greater freedom to operate in the gilts market had little impact – if anything, traders said, it should have had a positive effect, as it may make gilt issuance more transparent.

The June long gilt future fell by [illegible] point to 111[illegible].

■ German bunds shed about ½ point in the 10-year maturities, with traders reporting no great activity in the futures pits. The June bund futures contract fell 0.45 point to 97.23.

■ French government bonds weakened roughly in line with bunds, and traders are now focusing on next Thursday's meeting of the Bank of France's policy council. They hope it may follow the recent small easing on Germany's repo rate.

"If the German repo rate falls again next week, we could see a move from the Bank of France," said NatWest's Mr Roberts. France's 6.10 per cent intervention rate currently stands 22 basis points above the Bundesbank's repo rate.

Rollovers from March into the June futures contracts on Matif dominated trading, with investors reported to be largely sidelined. The March notional bond future closed 0.46 point lower on the day, and fell another 0.34 point in after-hours trading.

■ Spanish bonds got an early lift when the Bank of Spain injected overnight funds at a slightly lower rate. However, the late weakness in other bond markets dragged Spanish bonds lower, with the June futures contract ending at 101.12, down 0.19 point.

The June Italian BTP futures contract fell 0.52 point to 111.58.

■ The US Treasury market attempted to rally on news of low inflation and moderate growth in a Philadelphia regional economic survey, but prices soon retreated amid profit-taking.

By midday, the benchmark 30-year government bond was down [illegible] at 92[illegible], with the yield rising to 6.813 per cent. At the short end, the two-year note eased [illegible] to 99[illegible], to yield 4.913 per cent.

The impetus for the morning's aborted advance was the Philadelphia Federal Reserve's March business outlook survey. The report's current prices-paid index came in at a tame 16.0, compared with 30.4 the previous month, while the overall business activity index slipped to 24.1, against a prior reading of 26.7.

Separately, the Labor Department said the initial claims for state unemployment benefit receded last week, a development generally anticipated by analysts.

Overall, the data reinforced the impression that inflation was not a threat to the value of fixed-rate securities, as suggested by this week's figures on consumer and producer prices.

The market responded by bidding up the long bond to modestly higher levels. However, after two straight days of strong advances – a rarity in recent weeks – traders could not resist the impulse to book profits, and bond prices quickly reversed course.

Despite the good numbers, the market was holding a cautious tack ahead of the Fed's policy-making session next Tuesday.

# Hongkong Bank restructures its treasury business

By Louise Lucas in Hong Kong

Hongkong and Shanghai Banking Corporation and its investment banking arm Wardley Holdings are pooling their resources in treasury and capital markets operations. The move is designed to boost dealing capacity and better exploit Asia's fast-growing debt markets.

Under the restructuring, HSBC's 50-strong team and Wardley's 58 dealers will be brought together in a purpose-built treasury facility in the bank's Hong Kong headquarters.

Staff will be hired to bring the total to 150 people by the year-end, with room for a further 100 positions. However, HSBC and Wardley will retain their own balance sheets and legal identities.

Hongkong Bank said the growing sophistication of Asian investors, together with the introduction of dragon bonds and new derivative instruments, had prompted it to beef up and restructure operations to meet customer demand and maximise profitability.

He said that although Hong Kong had long been an important trading centre for foreign exchange, other aspects of treasury and capital markets business had only recently taken off, especially on the debt-origination side.

The new treasury facility will be the nerve centre for the origination, underwriting, distribution and trading of a wide range of debt securities. It will also provide a broad spectrum of interest, currency and index-related swaps and derivatives.

It will also embrace the group's existing foreign exchange and money market services.

# Maltese borrowing debut draws high-yield investors

By Tracy Corrigan

The first offering by a Maltese borrower met selective demand yesterday from investors looking for higher-yielding paper.

Freeport Terminal (Malta) launched a $205m 15-year offering of bonds to finance a new container terminal. The deal is guaranteed by the Republic of Malta and is rated A2 by Moody's.

### INTERNATIONAL BONDS

The issue has a sinking fund, which starts to repay principal from March 1999, giving the issue an average life of 10 years. The structure, which is rather unusual for a Eurobond, is designed to suit the nature of the project financing.

Dealers said the issue was attractively priced, taking account of the structure. At 115 basis points over the 10-year US Treasury, it appeared generous relative to other single-A rated credits, they said. More than half the paper was placed in the US, where single-A corporate bonds are trading as tightly as 60 basis points over the curve, according to lead manager Bankers Trust.

The offering included a 144A option for placement with US institutional investors.

European investors were less enthusiastic, as they remain nervous about buying long-dated dollar paper, and are also less familiar with sinking funds. "The deal was attractively priced – it was just a question of selling the story on the borrower," said one syndicate manager involved in the transaction.

The deal reflects growing demand for less than top-rated dollar paper. Dealers said they have seen selective buying of dollar-denominated corporate bonds, which are trading at relatively wide spreads and have the potential to tighten.

In the Canadian dollar sector, Toyota Motor Credit and ASLK-CGER launched smallish three-year offerings, which are expected to be placed gradually with retail investors.

Elsewhere, in an important step in Bolivia's return to the international capital markets following the Latin American debt crisis in the 1980s, BHN Multibanco, a Bolivian commercial bank, launched a $10m issue of Euro-notes. The bank has already issued certificates of deposits, but this is its first offering of notes, made under a $25m programme arranged by West Merchant Bank.

● Moody's has upgraded the rating of New Zealand's foreign currency debt from Aa3 to Aa2, reflecting important structural changes. The rating agency said that New Zealand's foreign currency debt/exports ratio and current account deficit are declining, while economic growth is picking up.

New Zealand launched a $1bn offering of five-year floating rate notes earlier this week.

## NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| Freeport Terminal(Malta)(a) | 205 | 7.50# | 99.861R | Mar.2009 | 0.60R | +115(5¾%-04) | Bankers Trust Intl. |
| Nippon Kinzoku Co.‡ | 100 | (b) | 100.00 | Apr.1998 | 0.30 | - | Fuji Intl. Finance |
| European Investment Bank‡§ | 100 | (c) | variable | Oct.2002 | undisd. | - | Kidder Peabody Intl. |
| Banco CCF Brazil● | 60 | 7.75# | 100.00 | Mar.1995 | undisd. | - | Socimer Intl. Bank |
| **GUILDERS** | | | | | | | |
| European Investment Bank | 300 | 6.00 | 99.80R | Apr.2002 | 0.25R | +3 (e) | Rabobank Nederland |
| Hoogovens(f)‡ | 275 | (4½-5) | 100.00 | Apr.2001 | 2.50 | - | ABN Amro Bank |
| **CANADIAN DOLLARS** | | | | | | | |
| Toyota Motor Credit Corp.(g) | 150 | 6.25 | 99.975R | Dec.1997 | 0.225R | +21 (d) | Wood Gundy |
| Aslk-Cger World | 75 | 6.50 | 99.55R | Dec.1997 | 0.225R | +27 (d) | Wood Gundy |
| **AUSTRALIAN DOLLARS** | | | | | | | |
| SNP Pacific (Australia) | 75 | 6.50 | 100.675 | Apr.1997 | 1.50 | - | Hambros Bank |
| **LUXEMBOURG FRANCS** | | | | | | | |
| Republic of Finland | 2bn | 6.50 | 101.80 | Apr.2001 | 1.875 | - | Kredietbank Luxembourg |

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Unlisted or private placement. §Convertible. [illegible] Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Sinking fund: average life 10 yrs. b) 3-mth Libor [illegible]. c) Block trade. Fungible with outstanding $500m. Plus 180 days accrued. d) [illegible] e) Over interpolated yield. f) Fixed today; conv premium indicated at 15-20%. Callable from 11/4/97 to give yield of coupon +225bp or at par if share price exceeds conv price for 30 consecutive days. Greenshoe: [illegible]. g) Short 1st coupon.

## Wharf wins race for S&P debt rating

Wharf (Holdings) has become the first big Hong Kong conglomerate to receive a publicly-declared long-term debt rating. Standard and Poor's rating agency has awarded it an implied senior rating of A, writes Louise Lucas.

This is the maximum possible, as it matches that assigned to the HK government.

Wharf clinched it ahead of Swire Pacific, the conglomerate which is also seeking a debt rating. It will facilitate any plans by Wharf to tap international debt markets.

## Polish insurer seeks Warsaw bourse listing

Polisa, the small Polish insurance company, plans to boost its capital to 600bn zlotys from 53.1bn zlotys through new share issues, and to list on the Warsaw bourse, Reuter reports from Warsaw.

"We want to become listed on the Warsaw bourse by the end of 1994 . . . and to reach this goal we need to make two or three public share offerings," the company said.

Polisa must boost its capital to reach targets set for premium income. It expects premiums to rise to 900bn zlotys this year.

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Day's change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| Australia | | 8.500 | 08/04 | 114.1800 | -0.590 | 7.22 | 7.34 | 6.30 |
| Belgium | | 7.250 | 04/04 | 101.1200 | -0.250 | 7.09 | 7.04 | 6.75 |
| Canada * | | 6.500 | 06/04 | 93.6000 | +0.200 | 7.37 | 7.37 | 6.67 |
| Denmark | | 7.000 | 12/04 | 102.7500 | -0.450 | 6.63 | 6.68 | 6.35 |
| France | BTAN | 6.000 | 05/98 | 108.0200 | -0.250 | 5.76 | 5.70 | 5.52 |
| | OAT | 5.500 | 04/04 | 94.3000 | -0.680 | 6.28 | 6.30 | 5.95 |
| Germany | | 6.000 | 09/03 | 99.1500 | -0.050 | 6.12 | 6.20 | 5.88 |
| Italy | | 8.500 | 01/04 | 95.9000 | -0.250 | 9.14† | 9.23 | 8.65 |
| Japan | No 119 | 4.800 | 06/99 | 105.6840 | -0.140 | 3.52 | 3.63 | 2.96 |
| | No 157 | 4.500 | 06/03 | 103.6560 | +0.700 | 3.96 | 3.95 | 3.38 |
| Netherlands | | 5.750 | 01/04 | 96.5600 | -0.720 | 6.23 | 6.16 | 5.88 |
| Spain | | 10.500 | 10/03 | 111.0500 | -0.350 | 8.74 | 8.92 | 8.16 |
| UK Gilts | | 6.000 | 08/99 | 97-01 | -6/32 | 6.87 | 6.48 | 5.95 |
| | | 6.750 | 11/04 | 96-06 | -18/32 | 7.33 | 7.09 | 6.52 |
| | | 9.000 | 10/08 | 113-19 | -18/32 | 7.46 | 7.23 | 6.83 |
| US Treasury * | | 5.875 | 02/04 | 96-14 | +10/32 | 6.36 | 6.42 | 5.88 |
| | | 6.250 | 08/23 | 92-28 | +14/32 | 6.81 | 6.89 | 6.44 |
| ECU (French Govt) | | 6.000 | 04/04 | 95.4100 | -0.420 | 6.64 | 6.80 | 6.19 |

London closing, *New York mid-day. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents). Prices: US, UK in 32nds, others in decimal. Source: MMS International

### US INTEREST RATES

Lunchtime

| | | Treasury Bills and Bond Yields | | | |
|---|---|---|---|---|---|
| Prime rate | 6 | One month | 3.25 | Two year | 4.98 |
| Broker loan rate | 5 | Two month | 3.56 | Three year | 5.28 |
| Fed funds | 3¼ | Three month | 3.58 | Five year | 5.82 |
| Fed funds at intervention | - | Six month | 3.89 | 10-year | 6.35 |
| | | One year | 4.27 | 30-year | 6.80 |

### BOND FUTURES AND OPTIONS

#### France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 126.56 | 125.84 | -0.46 | 126.80 | 125.60 | 196,751 | 85,568 |
| Jun | 126.06 | 125.36 | -0.44 | 126.14 | 125.18 | 63,759 | 136,778 |
| Sep | 125.36 | 124.84 | -0.46 | 125.36 | 124.48 | 1,240 | 13,267 |

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

| Strike Price | Calls Apr | Calls Jun | Calls Sep | Puts Apr | Puts Jun | Puts Sep |
|---|---|---|---|---|---|---|
| 125 | 0.82 | 1.51 | - | 0.43 | 1.14 | 1.06 |
| 126 | 0.32 | 1.01 | - | 0.93 | 1.60 | - |
| 127 | 0.07 | 0.59 | 0.92 | - | 2.25 | - |
| 128 | 0.02 | 0.30 | - | - | - | - |
| 129 | - | 0.13 | 0.46 | - | - | - |

Est. vol. total, Calls N/A Puts N/A. Previous day's open int., Calls 394,953 Puts 276,267.

#### Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 97.94 | 97.42 | -0.26 | 98.14 | 97.16 | 167230 | 202259 |
| Sep | 97.58 | 97.17 | -0.27 | 97.59 | 97.20 | 135 | 5033 |

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

| Strike Price | Calls Jun | Calls Sep | Puts Jun | Puts Sep |
|---|---|---|---|---|
| 9700 | 1.25 | 1.48 | 0.83 | 1.32 |
| 9750 | 0.98 | 1.24 | 1.06 | 1.57 |
| 9800 | 0.76 | 1.01 | 1.34 | 1.84 |

Est. vol. total, Calls 12916 Puts 11848. Previous day's open int., Calls 247012 Puts 214330

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 101.82 | 101.25 | -0.18 | 101.63 | 101.26 | 84 | 2634 |

#### Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 112.50 | 111.44 | -0.48 | 112.80 | 111.13 | 50408 | 95867 |
| Sep | - | 110.99 | -0.43 | - | - | 0 | 6 |

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

| Strike Price | Calls Jun | Calls Sep | Puts Jun | Puts Sep |
|---|---|---|---|---|
| 11100 | 2.71 | 3.18 | 2.27 | 3.18 |
| 11150 | 2.45 | 2.95 | 2.51 | 3.48 |
| 11200 | 2.20 | 2.72 | 2.78 | 3.73 |

Est. vol. total, Calls 1562 Puts 1518. Previous day's open int., Calls 66136 Puts 59846

#### Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 101.85 | 101.10 | -0.18 | 101.90 | 101.03 | 49,322 | 101,829 |
| Sep | - | 101.13 | - | - | - | - | - |

#### UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 111-31 | 111-05 | -0-18 | 112-00 | 110-30 | 289 | 11725 |
| Jun | 111-06 | 110-05 | -0-10 | 111-11 | 109-20 | 75567 | 143860 |
| Sep | - | 109-09 | -0-18 | - | - | 0 | 107 |

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

| Strike Price | Calls Jun | Calls Sep | Puts Jun | Puts Sep |
|---|---|---|---|---|
| 110 | 1-56 | 2-07 | 1-48 | 2-53 |
| 111 | 1-25 | 1-44 | 2-15 | 3-26 |
| 112 | 1-01 | 1-22 | 2-55 | 4-04 |

Est. vol. total, Calls 11198 Puts 2334. Previous day's open int., Calls 74439 Puts 56056

#### Ecu

■ ECU BOND FUTURES (MATIF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 118.50 | 117.96 | -0.40 | 118.50 | 117.75 | 2,563 | 7,185 |
| Jun | 92.00 | 91.52 | -0.44 | 92.20 | 91.38 | 822 | 3,995 |

#### US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 111-02 | 110-27 | -0-04 | 111-03 | 110-22 | 7,298 | 39,178 |
| Jun | 109-31 | 109-25 | -0-04 | 110-02 | 109-20 | 444,795 | 371,999 |
| Sep | 109-01 | 108-29 | -0-03 | 109-03 | 108-23 | 1,984 | 33,604 |

#### Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

| | Open | Close | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 110.94 | - | - | 111.25 | 110.94 | 2474 | 0 |

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

### FT-ACTUARIES FIXED INTEREST INDICES

| Price Indices UK Gilts | Thu Mar 17 | Day's change % | Wed Mar 16 | Accrued interest | xd adj. ytd | | Low coupon yield Mar 17 | Mar 16 | Yr. ago | Medium coupon yield Mar 17 | Mar 16 | Yr. ago | High coupon yield Mar 17 | Mar 16 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 Up to 5 years (23) | 126.88 | +0.06 | 126.81 | 2.14 | 2.07 | 5 yrs | 6.62 | 6.64 | 6.53 | 6.85 | 6.84 | 6.83 | 6.96 | 6.96 | 7.00 |
| 2 5-15 years (24) | 151.76 | -0.12 | 151.95 | 1.70 | 3.50 | 15 yrs | 7.35 | 7.31 | 7.54 | 7.45 | 7.42 | 8.09 | 7.71 | 7.66 | 8.29 |
| 3 Over 15 years (9) | 171.42 | -0.23 | 171.81 | 1.00 | 3.53 | 20 yrs | 7.48 | 7.42 | 7.86 | 7.46 | 7.44 | 8.25 | 7.72 | 7.67 | 8.36 |
| 4 Irredeemables (6) | 199.24 | -1.02 | 201.30 | 2.83 | 1.47 | Irred.† | 7.60 | 7.52 | 8.33 | | | | | | |
| 5 All stocks (62) | 147.94 | -0.19 | 148.09 | 1.76 | 3.00 | | | | | | | | | | |

| Index-linked | | | | | | | Inflation 5% Mar 17 | Mar 16 | Yr. ago | Inflation 10% Mar 17 | Mar 16 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 6 Up to 5 years (2) | 186.00 | +0.01 | 187.98 | 0.88 | 1.41 | Up to 5 yrs | 2.64 | 2.63 | 2.12 | 1.79 | 1.79 | 1.32 |
| 7 Over 5 years (11) | 182.36 | -0.02 | 182.39 | 0.64 | 1.29 | Over 5 yrs | 3.29 | 3.28 | 3.36 | 3.12 | 3.12 | 3.19 |
| 8 All stocks (13) | 182.05 | -0.01 | 182.07 | 0.58 | 1.29 | | | | | | | |

| Debentures and Loans | | | | | | 5 year yield Mar 17 | Mar 16 | Yr. ago | 15 year yield Mar 17 | Mar 16 | Yr. ago | 25 year yield Mar 17 | Mar 16 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 9 Debs & Loans (73) | 144.65 | -0.36 | 145.18 | 2.21 | 2.88 | 8.27 | 8.35 | 8.42 | 8.48 | 8.48 | 9.16 | 8.56 | 8.51 | 9.39 |

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

### FT FIXED INTEREST INDICES

| | Mar 17 | Mar 16 | Mar 15 | Mar 14 | Mar 11 | Yr ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt. Secs. (UK) | 99.55 | 99.94 | 100.50 | 100.09 | 100.01 | 97.73 | 107.60 | 93.28 |
| Fixed Interest | 120.98 | 121.37 | 121.20 | 121.58 | 122.37 | 112.91 | 133.87 | 106.67 |

* for 1993/94. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

### GILT EDGED ACTIVITY INDICES

| | Mar 16 | Mar 15 | Mar 14 | Mar 11 | Mar 10 |
|---|---|---|---|---|---|
| Gilt Edged bargains | 99.7 | 100.6 | 107.2 | 98.1 | 87.0 |
| 5-day average | 95.5 | 94.6 | 94.0 | 98.2 | 103.9 |

## FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on March 17

| | Issued | Bid | Offer | Chg. | Yield |
|---|---|---|---|---|---|
| **U.S. DOLLAR STRAIGHTS** | | | | | |
| Abbey Natl Treasury 6½ 03 | 1000 | 88¾ | 89½ | +¼ | 7.07 |
| AlbertaProvince 9⅜ 95 | 600 | 105⅛ | 105½ | | 5.27 |
| Austria 8½ 00 | 400 | 109⅞ | 110⅛ | +¼ | 6.44 |
| Bank of Tokyo 8⅜ 96 | 100 | 105 | 105¼ | -⅛ | 5.70 |
| Belgium 9⅛ 00 | 250 | 112⅞ | 113⅛ | +¼ | 6.15 |
| BFCE 7¼ 97 | 150 | 105⅜ | 105⅞ | | 5.73 |
| British Gas 0 21 | 1500 | 12⅝ | 12⅞ | +⅛ | 7.84 |
| Canada 9 00 | 1000 | 106¾ | 107 | +⅛ | 5.25 |
| CCCE 9¼ 98 | 300 | 104⅛ | 104⅜ | | 4.72 |
| Cheung Kong Fin 5½ 98 | 500 | 90 | 94 | -⅛ | 7.36 |
| Council Europe 8 00 | 100 | 105½ | 106 | +¼ | 5.45 |
| Credit Foncier 8½ 99 | 300 | 113⅛ | 113½ | +¼ | 6.32 |
| Denmark 9¼ 00 | 1571 | 104⅛ | 104⅜ | +⅛ | 4.59 |
| ECSC 8¼ 96 | 193 | 108⅜ | 108⅞ | +¼ | 5.63 |
| EEC 8¼ 00 | 100 | 105¼ | 105⅞ | +¼ | 5.45 |
| EIB 7¾ 00 | 250 | 104⅜ | 105 | | 5.54 |
| EIB 9¼ 97 | 1000 | 110⅛ | 110⅞ | | 5.89 |
| Elec de France 9 98 | 200 | 110⅛ | 110½ | +⅛ | 6.07 |
| Eurofima 9¼ 96 | 100 | 107¼ | 107⅝ | +¼ | 5.31 |
| Ex-Im Bank Japan 9 02 | 500 | 107¼ | 107⅝ | +½ | 8.81 |
| Export Dev Corp 9½ 98 | 150 | 112 | 112⅜ | +¼ | 6.23 |
| Finland 7⅞ 97 | 200 | 105⅛ | 105⅜ | +¼ | 5.87 |
| Finnish Export 9⅞ 00 | 200 | 108⅛ | 108½ | -⅛ | 5.27 |
| Ford Motor Credit 6¼ 98 | 1500 | 99¾ | 100¼ | | 6.42 |
| Gen Elec Capital 9⅞ 00 | 300 | 107⅞ | 108¼ | +⅛ | 5.50 |
| GMAC 8⅛ 95 | 200 | 105⅞ | 106½ | | 5.91 |
| Ind Bk Japan Fin 7⅞ 97 | 200 | 100 | 105⅜ | +¼ | 6.04 |
| Inter Amer Dev 7⅞ 96 | 200 | 104⅛ | 105⅛ | +¼ | 6.50 |
| Italy 6⅞ 23 | 3500 | 89⅞ | 90¼ | +¼ | 7.90 |
| Japan Dev Bk 8⅞ 01 | 600 | 109⅜ | 109⅝ | +½ | 6.84 |
| Kansai Elec Pwr 10 95 | 350 | 108½ | 109⅞ | | 5.47 |
| LTCB Fin 8 97 | 200 | 105 | 105⅜ | | 6.01 |
| Matsushita Elec 7¼ 02 | 1000 | 101⅞ | 102¼ | +⅛ | 7.07 |
| Nippon Cred Bk 10¾ 96 | 150 | 105⅞ | 106⅜ | | 5.95 |
| Nippon Tel Tel 9⅞ 95 | 200 | 104⅛ | 104⅜ | -⅛ | 4.87 |
| Norway 7⅛ 97 | 1000 | 104 | 104¼ | +⅛ | 5.79 |
| Ontario 7⅛ 00 | 3000 | 102½ | 103⅜ | +½ | 7.11 |
| Oster Kontrollbank 8½ 01 | 200 | 110 | 110⅜ | +¼ | 6.55 |
| Petro-Canada 7¼ 96 | 200 | 103⅜ | 104⅛ | | 5.54 |
| Portugal 5¾ 03 | 1000 | 91⅞ | 92¼ | +½ | 7.05 |
| Quebec Hydro 9¾ 00 | 150 | 112⅛ | 113 | +¼ | 6.49 |
| Quebec Prov 9 98 | 200 | 108⅞ | 109⅜ | +¼ | 6.44 |
| Sainsbury 9¼ 96 | 150 | 107½ | 108 | | 5.54 |
| SAS 10 99 | 200 | 110⅞ | 112 | | 7.30 |
| SEAB 8½ 95 | 600 | 105⅛ | 105⅜ | +⅛ | 4.97 |
| SNCF 9¼ 98 | 150 | 112⅜ | 112⅞ | +½ | 6.15 |
| Spain 6½ 99 | 1500 | 100¼ | 100⅝ | +¼ | 6.43 |
| State Bk NSW 8½ 96 | 200 | 105⅝ | 106⅛ | | 5.78 |
| [illegible] | | | | | |
| United Kingdom 7¼ 97 | 5500 | 104⅝ | 104¾ | | 5.68 |
| Volkswagen Intl Fin 7 03 | 1000 | 101¼ | 101¾ | +¼ | 6.81 |
| World Bank 0 15 | 2000 | 27 | 27¼ | -⅛ | 6.20 |
| World Bank 5⅜ 00 | 3000 | 97⅞ | 97⅞ | -⅛ | 6.28 |
| World Bank 8¾ 00 | 1250 | 114 | 114½ | | 5.94 |
| **SWISS FRANC STRAIGHTS** | | | | | |
| Asian Dev Bank 6 10 | 100 | [illegible] | | | |
| Austria 4½ 00 | 1000 | [illegible] | | | |
| Council Europe 4¾ 98 | 250 | [illegible] | | | |
| EIB 6¼ 04 | 300 | [illegible] | | | |
| Elec de France 7¼ 00 | 100 | [illegible] | | | |
| Finland 7⅛ 99 | 300 | [illegible] | | | |
| General Motors 7½ 95 | 100 | [illegible] | | | |
| Hyundai Motor Fin 8½ 97 | 100 | [illegible] | | | |
| Iceland 7⅝ 00 | 100 | [illegible] | | | |
| Kobe 6¾ 01 | 240 | [illegible] | | | |
| Ontario 6¼ 03 | 400 | [illegible] | | | |
| Quebec Hydro 5 08 | 100 | [illegible] | | | |
| SNCF 7 04 | 450 | [illegible] | | | |
| World Bank 6 03 | 150 | [illegible] | | | |
| World Bank 7 01 | 600 | [illegible] | | | |
| **YEN STRAIGHTS** | | | | | |
| Belgium 5 99 | 75000 | [illegible] | | | |
| EIB 6⅝ 00 | 100000 | [illegible] | | | |
| Elec de France 5⅜ 96 | 20000 | [illegible] | | | |
| Finland 6¾ 98 | 50000 | [illegible] | | | |
| Inter Amer Dev 7¼ 00 | 20000 | [illegible] | | | |
| Italy 3¾ 01 | 300000 | [illegible] | | | |
| Japan Dev Bk 5 99 | 100000 | [illegible] | | | |
| Japan Dev Bk 6½ 01 | 120000 | [illegible] | | | |
| Nippon Tel Tel 5⅞ 96 | 50000 | [illegible] | | | |
| Norway 6⅜ 00 | 50000 | [illegible] | | | |
| SNCF 6¾ 00 | 30000 | [illegible] | | | |
| Sweden 5⅝ 00 | 20000 | [illegible] | | | |
| World Bank 6¾ 00 | 50000 | [illegible] | | | |
| **OTHER STRAIGHTS** | | | | | |
| Arbed 7½ 95 LFr | 600 | [illegible] | | | |
| Genfinance Lux 9⅛ 99 LFr | 1000 | [illegible] | | | |
| World Bank 8 95 LFr | 1000 | [illegible] | | | |
| Bank Voor Ned Gem 7⅞ 02 Fl | 1000 | [illegible] | | | |
| Energie Beheer 8⅞ 98 Fl | 500 | [illegible] | | | |
| AlbertaProvince 10⅝ 99 C$ | 500 | [illegible] | | | |
| Bell Canada 10⅝ 99 C$ | 150 | [illegible] | | | |
| British Columbia 10 96 C$ | 500 | [illegible] | | | |
| EIB 10⅛ 00 C$ | 130 | [illegible] | | | |
| Elec de France 9¾ 99 C$ | 275 | [illegible] | | | |
| [illegible] | | | | | |
| Alliance Leics 11⅛ 97 £ | 100 | 112½ | 112⅞ | -⅛ | 6.81 |
| British Gas 12¾ 95 £ | 500 | 106⅞ | 106⅜ | -⅛ | 5.59 |
| British Land 8⅞ 23 £ | 150 | 95¼ | 95¾ | -½ | 9.57 |
| EIB 10 97 £ | 637 | 106¾ | 108 | -⅛ | 6.55 |
| Halifax 10⅞ 97 £ | 100 | 108½ | 109⅞ | | 6.73 |
| [illegible] | | | | | |

FLOATING RATE NOTES [illegible]

CONVERTIBLE BONDS [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate ([illegible]) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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## UK GILTS PRICES

| Notes | Yield Int | Yield Red | Price £ | + or - | 1993/94 High | 1993/94 Low |
|---|---|---|---|---|---|---|
| **Shorts" (Lives up to Five Years)** | | | | | | |
| Exch 13½pc 1994 | 13.37 | 5.09 | 108[illegible] | [illegible] | [illegible] | [illegible] |
| Treas. 10pc Ln. 1994‡‡ | 9.89 | 5.06 | 101[illegible] | [illegible] | [illegible] | [illegible] |
| Exch 12½pc 1994 | 12.11 | 4.94 | 103[illegible] | [illegible] | [illegible] | [illegible] |
| Treas 9pc 1994‡‡ | 8.77 | 4.99 | 102[illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | | | | | | |

• "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

مكذا من الأصل

# Rentokil shares slip despite rise to £147m

By Andrew Bolger

Shares in Rentokil slipped by 7¼p to 248½p in spite of the environmental and property services company maintaining its 11-year record of compound growth in profits and earnings in excess of 20 per cent.

Rentokil's pre-tax profits increased by 20.1 per cent to £147m in the year to December 31, while sales increased by 27 per cent to £600m. Currency movements depressed the profits figure by £1.2m.

The group said good organic growth in North America, Asia and the UK had offset lower growth in Europe.

Securiguard, the security group bought for £76m after a hostile hid battle last July, contribnted sales of £86.3m and profit after interest of £3.3m.

Mr Clive Thompson, chief executive, said: "The business has proved at least as good as we thought at the time we bought it. In some cases hetter."

Mr Thompson said Rentokil's strategy, in the medium to long-term, was to mova improve Securiguard's low profit margins by providing better levels of service.

He said: "Our view is that security in future will require higher levels of quality – and customers will be more concerned with quality than price, altbough prica is always important."

Securiguard was making a profit margin of 5-6 per cent at the time of acquisition, a margin which Mr Thompson said should be capable of heing lifted into the teens, although not above 20 per cent. He said the group's US tropical plants business was making margins of 5-8 per cent at the time of its acquisition in 1988, and was now making 20 per cent.

Rentokil set up an acquisition provision of £6.8m to cover redundancy and reorganisation at Securiguard, of which it had utilised £1.3m by the year-end.

Year-end net cash fell from £60.2m to £15.6m after £102.6m had been spent on acquisitions.

Earnings per share grew by 21 per cent to 8.02p (9.71p). A final dividend of 2.01p gives a total for the year of 2.85p (2.31p), an increase of 23 per cent.

● COMMENT

Analysts were pleasantly surprised by the size of Securiguard's contribution, but the fact that results were in line with forecasts meant the rest of tha group had performed slightly below expectations. The size of the Securiguard provision also raised eyebrows, and there is scepticism over how much profits can be lifted in the security business. These specific grouses betray a deeper unease that Rentokil's wonder growth story will be harder to sustain as a FTSE-100 company. Doubters point out that Rentokil's 36 per cent premium rating is maintained solely hy the earnings story – the yield is low and the group has net assets of only £109m, compared with its market capitalisation of £2.4bn. The shares have had a good run since the year-end, and could suffer further profit-taking.

# Blenheim pays £17m for three acquisitions

By David Wighton

Blanheim Gronp, the exhibitions organiser whose shares have almost halved over the past year, has made three acquisitions for n minimum £17m in cash.

They inclnde its first purchase in east Asia, a fast-growing exhibitions market where it has little presence.

The first buy involves a complicated restructuring of France's giftware and interior decoration exhibitions. Blenheim, which has two small exhihitions in the sector, is buying the rival MIC exhibition for FFr30m (£3.5m) and injecting all three into the market leader, the Paris Ateliers d'Arts Show, which is owned by a trade association.

Blenheim is also commiting a further FFr30m in cash in return for a 50 per cent stake in the joint company.

Mr Christopher Crowcroft, finance director, said that the smaller exhibitions had suffered from the recession and the industry did not like the competing shows. Mr Crowcroft said the deal would enhance Blenheim's earnings this year.

Blenheim has also agreed to pay L22.6bn (£9m) for Editoriale PEG, an Italian publisher of technical magazines covering heating, plumbing and sanitation. It also organises Mostra Convegno Expocomfort, an exhibition in Milan covering air conditioning and heating equipment. Editorale PEG made a profit of L3.7bn (£1.5m) on turnover of L34.2bn (£13.7m) in 1992.

The third deal is designed to give Blenheim a base from which to replicate some of its existing exhibitions in Japan. It is paying $1.3m (£900,000) for 70 per cent of Vertical Planning International, which organises the Japanese Aerospace exhibition every four years. Blenheim has agreed to acquire the remaining 30 per cent in 1999 for up to $8.7m.

# OGC beats expectations

By Peggy Hollinger

OGC, the oil services group of which 40 per cent was floated last year by Fairhaven International, reported a better-than-expected 7 per cent increase in 1993 pre-tax profits from £10.5m to £11.2m on sales 4.2 per cent lower at £217.1m, against £226.6m.

The Bermuda-registered parent, owned by Mr Fred Olsen, the Norwegian shipping magnate, also announced a sharp jump in profits from $18.1m to $38.6m (£26.4m). That was largely due to the £30m proceeds of floating OGC.

Sales were 12 per cent down at $461.9m ($524.4m). Since the flotation Fairhaven bas become largely an investment vehicle

Investors, who took up OGC's shares at 130p in June, were rewarded with a proposed final dividend of 3.5p, for a total of 5.25p. This compares with a notional net pay-out of 4.4p, and is more than twice covered by earnings of 11.9p (10.9p). The shares closed yesterday 6p higher at 155p.

Mr Richard Wilson, the chairman, said that while sales had been expected to decline, the year had remained "particularly busy".

Most of the profits were due to the Aberdeen-based AOC, which provides services to North Sea projects. Several contracts came to an end during the year, allowing OGC to recognise the full profits.

Fairhaven enjoyed a less successful year, bowever, showing a 8 per cent decline in profits before exceptional items. The £30.2m exceptional gain from the flotation of OGC was offset by an £8m charge arising from litigation in the US.

Mr James Davidson, chairman, said significant amounts due to Fairhaven were the subject of litigation in the US. "While we believe that these matters will be resolved in our favour, hopefully in 1994, this is not certain." The litigation had been expected to be resolved last year.

On a brighter note, Mr Davidson said margins and sales had been better than expected and in line with those of 1992. However, the company was hit by adverse exchange rates, following the devaluation of sterling.

The main contributor to profits was the holding in OGC. Belmont Constructors performed below expectations while tbe partnership with Nishika returned a loss.

The final dividend of 1.3 cents (0.6 cents) is proposed for a total of 1.8 cents (0.8 cents). Earnings per share rose from 4.39 cents to 12.75 cents.

# Trade Indemnity returns to black with £5.8m

By Simon Davies

Trade Indemnity Group, the credit insurer, reported a return to profit in 1993 and a positive view of the current year. The shares rose 4p to 94p.

The company is forecasting business failures, as reported by its customers, will fall 10 per cent during 1994, following a 26 per cent drop to 6,303 (8,470) last year.

TIG, which is 77 per cent owned by a group of leading European insurance companies, reported pre-tax profits of £5.8m (losses of £4.9m).

The proposed final dividend is 0.5p, its first payment since 1990. Earnings per share were 4.5p (losses 1p).

Gross premium income from continuing operations fell marginally to £145m (£147m), reflecting a decline in customers' sales levels.

Mr Vic Jacob, managing director, said premium income increased significantly in the second half, and had continued to grow in 1994. There was also a 24 per cent increase in UK export insurance business.

Net claims paid fell 17 per cent to £48.2m, enabling a release of £1.7m to be made to the profit and loss account.

## DIVIDENDS ANNOUNCED

| | | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|
| Arjo Wiggins | fin | 3.85 | May 27 | 3.85 | 6.5 | 8.5 |
| Attwoods | int | 1.75 | Aug 1 | 1.75 | - | 5 |
| Baynes (Charles) | fin | 1.075 | May 27 | 0.8 | 1.65 | 1.425 |
| British-Borneo | fin | 4.433 | May 23 | 4.433 | 7.1 | 7.1 |
| Cala | int | 0.9 | May 6 | 0.75 | - | 2.3 |
| Courtaulds Text | fin | 9.5 | May 8 | 9.2 | 14.2 | 13.6 |
| Daniels (S) | fin | 0.3 | May 25 | 0.25 | 0.3 | 0.25 |
| Davis Service | fin | 5.25† | June 8 | 5.25 | 7.98 | 7.98 |
| Dawsongroup | fin | 3 | June 24 | 2.25 | 4.5 | 3 |
| Edmond | fin | 0.15 | July 1 | 0.15 | 0.3 | 0.5 |
| Fairhaven | fin | 1.3☆† | June 2 | 0.8 | 1.8 | 0.8 |
| Green (Ernest) § | int | 2.75 | May 3 | 2.75 | - | 7 |
| Guinness | fin | 9.18 | May 24 | 6.5 | 12.8 | 11.85 |
| Haden MacLellan | fin | 1 | July 1 | 1 | 2 | 2 |
| Jupiter Tyndall | fin | 7 | May 26 | 4.5 | 11 | 7.5 |
| Kwik-Fit | fin | 2.3 | May 9 | nil | 3.8 | 3.35 |
| Legal & General | fin | 13.8 | June 1 | 12.9 | 20.1 | 19.1 |
| OGC | fin | 3.5 | June 10 | - | 5.25 | - |
| Pochin's | int | 8 | Apr 18 | 8 | - | 29 |
| Reed Intl | fin | 12.75 | May 18 | - | 18.75 | 12.75‡ |
| Rentokil | fin | 2.01 | May 11 | 1.67 | 2.85 | 2.31 |
| Rosebys | fin | 3.25† | May 13 | 3 | 4.65 | 3.8 |
| Sanderson Bml | fin | 1.74† | Apr 30 | 1.4 | 2.4 | 2 |
| Trade Indemnity | fin | 0.5 | July 1 | nil | 0.5 | nil |
| Travis Perkins | fin | 5.5 | May 23 | 5.5 | 8 | 8 |
| United Biscuits | fin | 9.8 | July 1 | 9.8 | 15.3 | 15.3 |

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆ US cents throughout. ‡For 8 months.

# Fraser float price set at lowly 180p

By Neil Buckley

House of Fraser, the 55-store department chain being floated by its owners, the Fayed brothers, yesterday set its flotation price at 180p.

That valued the group at a lower-than-expected £413.3m.

The price was at the bottom end of forecasts, which ranged between 180p and 220p, and puts the shares on an historic p/e of 16.2 times.

A dividend of 5p that would have been recommended last year would give a gross yield of 3.5 per cent.

Since publication of the House of Fraser pathfinder prospectus most analysts had predicted a price of between 190p and 200p. However, recent volatility in the stock market is thought to have persuaded SG Warburg, which is handling the flotation, to plump for a lower price.

● COMMENT

By fixing the price at 180p, House of Fraser has effectively neutralised the market's reservations, and the shares look attractive. The recent tightening of planning restrictions on retail developments means opportunities for opening new stores will be limited. But there is considerable room for improving sales from the group's very cheap, mainly freehold, existing selling space as the new management refurbishes the stores, improves the range and introduces new systems. The historic multiple of 16.2 times is a 16 per cent discount to the stores sector. On forecasts of £43m for this year, tha discount falls to about 11 per cent, but the management needs to provide more evidence of its expertise if the shares are to move to a market rating.

# Float will value Nottingham at £81.4m

By Simon Davies

Nottingham Group, one of the UK's largest suppliers of educational products, is to raise £13.6m from a flotation, which will value the company at £81.4m.

Nottingham is to offer 24.5m shares at 155p each, of which 16.1m will be placed firm with institutions and 8.4m will be sold through an intermediaries offer.

The company made pre-tax profits of £7.3m in 1993 after a £1.1m write-off on fixed assets. Based on earnings excluding the write-off, the shares are being listed on an historic p/e of 14.3 and n notional yield of 4.45 per cent.

About 87 per cent of 1993 turnover was in sales to primary and secondary schools. Nottingham hopes that utilisation of the state schools' estimated £400m budget surplus will help fuel sales growth.

The £38m share offer is sponsored by Goldman Sachs, broker to the deal along with James Capel. Nottingham is issuing 9m new shares, a further 600,000 will result from conversion of preference shares, while 15.5m existing shares will also be offered.

Following flotation, the directors will control 15 per cent of Nottingham, having sold 25 per cent, and existing institutional shareholders will own 33 per cent.

The cash raised will be used to redeem outstanding preference shares. Dealings will begin on March 30.

● COMMENT

There are no listed companies that can offer a direct comparison with Nottingham, but on the basis of its generous dividend yield and a p/e at a substantial discount to the market average, the shares should offer something for the stags. The company is strongly cash generative, enabling it to fund further small acquisitions to build up its distribution network. This shonld provide some further lift for n solid but unexciting business.

# Inspec gets £136m valuation

By David Wighton

Inspec, the speciality chemicals company which was the subject of a £40m management buy-in/buy-out from British Petroleum 18 months ago, will join the stock market with a valuation of £136.4m after a £49.5m issue of shares at 180p.

The price set yesterday represents 18.4 times pro forma 1993 profits of £7.4m, including a full year from the flotation proceeds and recent US acquisition Allco.

Mr John Hollowood, chairman, said the rating was a 20 per cent discount to the average of comparable speciality chemicals companies Allied Colloids, BTP and Yorkshire Chemicals. "Its a fair price given that Inspec has no track record."

The notional dividend of 3.5p for 1993 gives a yield of 2.7 per cent which is in line with the sector.

Of the shares on offer £32.2m have been placed firm with institutions and a further £17.3m are available to private investors through financial intermediaries. The issue is being handled by Morgan Grenfell, the merchant bank, and stockbrokers Cazenove.

● COMMENT

Inspec combines a handsome legacy from British Petroleum – including excellent facilities, market positions and operational management – with Mr Hollowood's proven ability to grow speciality chemicals businesses. The price has been set at a good discount to the sector – which has had a very strong run – though the pro forma profits for 1993 were boosted by the acquisition of Allco and a 20 per cent tax charge. This will rise only gradually over the two years and analysts are looking for earnings growth of around 15 per cent this year which cuts the rating to 16. The reception from institutions has been very good and the shares are likely to open at a healthy premium when trading starts on March 30.

# Appld Distribution shares at 140p

Shares in Applied Distribution, the contract distribution group, closed at 140p on the first day of trading yesterday – a premium of 5p to the offer price.

This values the company, formed five years ago under a £16.5m management buy-out from Geest, at more than £42m.

Of the 17.25m shares placed, representing 57 per cent of the enlarged capital, 11.35m were newly issued. The balance of 5.9m shares were sold by existing shareholders.

About 1.5m shares changed hands yesterday. Barings, the sponsor, described the trading as "a very satisfactory start."

Broker to the issue was NatWest Wood Mackenzie.

# Reed Elsevier restructure will reduce audit fees

By Andrew Jack

Reed Elsevier, the international publishing group, plans to reduce its audit fees by nearly two-fifths as a result of a restructuring of its operations which has led to the appointment of Deloitte Touche Tohmatsu as worldwide auditors.

It also aims to reduce the number of legal entities registered in the UK by three-quarters as part of the process in an effort to reduce the number and costs of statutory audits.

The fees of Reed, Elsevier and Reed Elsevier, their joint venture, are expected to fall from about £2.1m to £1.3m as a result of an audit tender for which all the largest six accountancy firms competed.

Mr Nigel Stapleton, a director of Reed International, said: "We did not make the decision on who came with the lowest fee, although price was obviously an important consideration."

He said the reduction reflected the elimination of duplication from having two firms of auditors as a result of the merger, as well as improvements to internal audit and changes in the structure of the company.

He stressed that the audit tender prices from all the firms were very close to each other. "We want a challenging audit, not the firm that will give us the easiest audit," be said.

The process began in June last year, and by October three firms remained for detailed selection: Touche, Price Waterhouse, current auditor to Reed, and Coopers, auditor to Elsevier until now.

# Museums block Norton's strategy for a kick-start

By Tim Burt

Attempts to kick-start the Norton motorcycle company by raising much-needed cash from the sale of 10 vintage motorcycles appeared close to breakdown yesterday.

Lawyers acting for three British museums where the motorcycles have been on display – some of them for more than 50 years – have halted moves to return them to Norton Motors (1993), a Canadian-backed company which bought the famous manufacturer last year.

The move is a blow for Norton, which had asked Sotheby's to sell the fleet next month as part of its strategy to realise capital to restart production.

Yesterday, however, curators at London's Science Museum, the National Motor Museum and the Museum of British Road Transport said they would not part with the vehicles, including an 1898 Ariel tricycle and 1905 Matchless, unless the company could prove its ownership.

Mr David MacDonald, Norton's former chief executive, has written to the curators warning them that the company has no rights to the motorcycles.

Norton has merged and changed hands several times since the motorcycles were loaned to the museums, and it could prove impossible to unravel which company now owns them.

The Science Museum said yesterday: "We're waiting for Norton to prove ownership. The matter is with our solicitors."

Norton, which has also called in its lawyers, said it remained confident it could sell the bikes.

This notice is issued in compliance with the requirements of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the "London Stock Exchange") and appears as a matter of record only. It does not constitute an offer or an invitation to subscribe for or purchase any securities of Templeton Emerging Markets Investment Trust PLC.

Templeton Emerging Markets Investment Trust PLC

(Incorporated in Scotland under the Companies Act 1985 with registered no. 118022)

**Placing of 105,000,000 'C' Shares of £1 each ("'C' Shares") and Offer of up to 35,000,000 'C' Shares all at 100p per 'C' Share**

Application has been made for the 'C' Shares now proposed to be issued to be admitted to the Official List. It is expected that admission will become effective, and that dealings in the 'C' Shares on the London Stock Exchange will begin, on 22nd April, 1994.

Listing Particulars relating to Templeton Emerging Markets Investment Trust PLC are included in the Companies Fiche Service available from Extel Financial Limited, 37-45 Paul Street, London EC2A 4PB and may be obtained during normal business hours (Saturdays and public holidays excepted) until 21st March, 1994 by collection only from the Company Announcements Office, The London Stock Exchange, London Stock Exchange Tower, Capel Court Entrance, Off Bartholomew Lane, London EC2N 1HP and until 14th April 1994 from:

**Smith New Court Corporate Finance Limited**
Smith New Court House
20 Farringdon Road
London EC1M 3NH

**Templeton Investment Management Limited**
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EH

Dated 18th March, 1994

This announcement appears as a matter of record only.

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THE VENEZUELA HIGH INCOME FUND N.V.

DIVIDEND NOTICE

Consistent with the authorization granted by the Board of Supervisory Directors on March 11, 1994, notice is hereby given that the Fund will pay a distribution of U.S. $0.25 per share on April 15, 1994 to common shareholders of record at the close of business on March 31, 1994, in the case of shares held in registered form, or upon presentation of coupon number 11 attached to the common share certificate to the Fund's Paying Agent (on or after April 15, 1994), in the case of common shares held in bearer form.

*By order of the Managing Director*

Managing Director and Location of Principal Office
Curacao Corporation Company N.V.
De Ruyterkade 62, P.O. Box 812
Willemstad, Curacao
Netherlands Antilles

Administrator, Registrar, Transfer and Paying Agent
Citibank (Bahamas) Limited
Thompson Boulevard
P.O. Box N1576
Oakes Field
Nassau, Bahamas

Investment Manager
Scudder, Stevens & Clark, Inc.

مكذا من الأصل

The prospectus relating to House of Fraser PLC dated 17th March, 1994, from which the information contained in this document is drawn and *which alone contains full details of* House of *Fraser PLC and of* the securities being offered, comprises listing particulars relating to House of *Fraser PLC in accordance with the listing rules made under section* 142 of the Financial Services Act 1986, and has been delivered to the Registrar of Companies in Scotland for registration in accordance with section 149 of that Act.

Application has been made to the London Stock Exchange for the whole of the issued ordinary share capital of House of Fraser PLC to be admitted to the Official List. It is expected that admission to the Official List will become effective and that dealings in the ordinary shares will commence on Wednesday, 6th April, 1994. The issue of this document has been authorised by the London Stock Exchange without approval of its contents.

The Directors are satisfied that this document contains a fair summary of the key information set out in the Prospectus.

S.G.Warburg is a member of The Securities and Futures Authority Limited. S.G.Warburg is acting as sponsor to House of Fraser PLC and underwriter to the Offer and will not be responsible to anyone other than House of Fraser PLC for providing the protections afforded to customers of S.G.Warburg or for providing advice in relation to either the Placing or the Public Offer.

No action has been or will be taken to permit the offer of ordinary shares other than in the UK or the distribution of this document in any jurisdiction other than the UK. The distribution of this document and/or the offering of ordinary shares may be restricted in certain jurisdictions. Persons in possession of this document should inform themselves of and observe any such restrictions. This document does not constitute an offer to sell, or the solicitation of an offer to buy, ordinary shares in any jurisdiction or in any circumstances in which such offer or solicitation is unlawful.

In particular, this document is not for distribution in or into the United States or Canada. The ordinary shares have not been and will not be registered under the United States Securities Act or under the securities laws of Canada and, subject to certain exceptions, may not be offered or sold within the United States or Canada or to any national, resident or citizen of Canada. S.G.Warburg may arrange the offer and sale of a *portion of the ordinary shares within the* United States exclusively to persons reasonably believed by it to be qualified institutional buyers (as *defined* in Rule 144A under the Securities Act) in reliance on the exemption provided by Rule 144A.

No person has been authorised to give any information or make any *representations in connection with the Offer or the Group other than as* contained in the Prospectus or this document and, if given or made, such *information or representations must not be relied upon as having been* authorised by the Company, the Directors, S.G.Warburg, Harrods Investments or any of them. Neither the delivery of this document nor any purchase made on the basis hereof shall constitute a representation or create any implication that the information herein is correct as at any time subsequent to the date of this document.

# HOUSE OF FRASER

## Placing and Public Offer

**by**

## S.G.Warburg & Co. Ltd.

**of**

**229.6 million ordinary shares in**

**House of Fraser PLC**

**of which 172.2 million are being placed firm**

**and 57.4 million are being offered to the public**

**at 180 pence per share**

**payable in full on application**

IIII

**DEFINITIONS**

| | |
|---|---|
| **Act** | the Companies Act 1985 (as amended) |
| ***Application Form*** | a Public Application Form, Preferential Application Form or Intermediaries Bulk Application Form, or *any* or all of them, as the context requires |
| **Company** | House of Fraser PLC |
| **Directors** | the directors of the *Company* |
| ***Employee Share Plans*** | the House of Fraser Sharesave Option Scheme and the House of Fraser 1994 Share Option *Plan* |
| ***First Personal Bank*** | The First Personal Bank plc, a subsidiary of GE Capital |
| **GE Capital** | General Electric Capital Corporation, a subsidiary of the General Electric Company of the United States (not affiliated to the English company with a similar name) |
| **Harrods** | *the Harrods store or*, as the context may require, Harrods Limited, the owner of the Harrods store |
| **Harrods Investments** | Harrods Investments plc, *the holding* company controlled by the Fayed family |
| **House of Fraser or Group** | House of Fraser PLC and its subsidiary undertakings |
| ***House of Fraser (Stores)*** | House of Fraser (Stores) Limited, the wholly-owned subsidiary of the Company, which operates all the Group's department stores |
| **Intermediaries Bulk Application Form** | a bulk application form for use by eligible financial intermediaries in respect of the Public Offer |
| **Listing** | the admission to the Official List of the London Stock Exchange of the issued ordinary share capital of the Company |
| ***London Stock Exchange*** | The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited |
| ***Offer*** | the *Public Offer* and the Placing |
| **Offer Price** | 180 pence per ordinary share |
| **ordinary shares** | ordinary shares of 20 pence each *of the capital of the* Company |
| **Placing** | the placing by S.G.Warburg of *229,600,000* ordinary shares described in Part Five of the Prospectus, including the *57,400,000 ordinary shares* which are subject to right of recall for the purposes of the Public *Offer* |
| **Preferential Applicant** | an applicant eligible to apply for shares under the *Preferential Offer* |
| **Preferential Application Form** | the application form for use by Preferential Applicants in *respect of the Preferential Offer* |
| **Preferential Offer** | the arrangements for eligible employees, eligible *pensioners and* Directors *to apply under the Public* Offer, which are described in Part Five of the *Prospectus* and separately in the Preferential Application Form |
| **Prospectus** | the *listing particulars relating* to House of Fraser PLC dated 17th March, 1994 |
| ***Public Application Form*** | *the application form for use in respect of the Public* Offer (but not the Preferential Offer) attached to this *document* |
| **Public Offer** | the offer for sale by S.G.Warburg of 57,400,000 ordinary shares *described in Part Five of the Prospectus*, which includes the Preferential Offer |
| **Securities Act** | the *United States Securities Act of 1933* |
| **S.G.Warburg** | S.G.Warburg & Co. Ltd. |

**SHARE CAPITAL**

| Authorised | | | Issued and fully paid | |
|---|---|---|---|---|
| Number | £ | | Number | £ |
| 310,000,000 | 62,000,000 | ordinary shares of 20 pence each | 229,600,000 | 45,920,000 |

The Offer comprises the entire issued ordinary share capital of House of Fraser PLC. The ordinary shares will rank in full for all *dividends* or other distributions declared, paid or made hereafter in respect of the ordinary share capital of the Company.

**INDEBTEDNESS**

At the close of business on 15th February, 1994 the Group had outstanding borrowings or indebtedness in the nature of borrowing of £117.1 million, comprising overdrafts of £21.4 million and loans of £95.0 million (both of *which* were *secured*), a *mortgage* of £0.5 *million* and loan notes of £0.2 million. With the exception of the mortgage and loan notes, all of *the Group's borrowings are from bank lenders.*

The Company and House of Fraser (Stores) had outstanding on 15th February, 1994 guarantees of certain bank borrowings of Harrods Investments and Harrods Holdings plc, supported by charges over all the Group's assets. Under an agreement with the banks concerned these guarantees and charges will be released on Listing becoming effective.

Save as aforesaid and apart from intra-Group liabilities, neither the *Company nor any* of its subsidiary undertakings had as at 15th February, 1994 any loan capital (including term loans) outstanding or created but unissued, any mortgages, charges, or any other borrowings or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments or finance lease obligations, guarantees or other contingent liabilities.

At the close of business on 15th February, 1994, the Group had cash balances of £27.4 *million*.

On 25th February, 1994 the Company entered into new facilities for up to £155.0 million. These new facilities will be available for use by the Company on Listing becoming effective; at that time, the Company will repay in full the secured loans referred to above with amounts borrowed under the new facilities (part of which will be secured by new charges over certain of the Group's properties) and the existing charges over the Group's assets will be released.

**EXPECTED TIMETABLE**

| | 1994 |
|---|---|
| Latest time for receipt of completed Application Forms in respect of the Public Offer | 10 am on Friday, 25th March |
| Basis of allocation announced | Monday, 28th March |
| Despatch of renounceable letters of allocation | Tuesday, 5th April |
| *Dealings to commence* | *Wednesday, 6th April* |
| Last time for splitting | 3 pm on Wednesday, 4th May |
| Last time for registration of renunciation | 3 pm on Friday, 6th May |
| Despatch of definitive share certificates | By Friday, 27th May |

The procedure for application and the Public Application Form are set out at the end of this document.

**OFFER STATISTICS**

| | |
|---|---|
| Offer price per ordinary share | 180 pence |
| Number of ordinary shares in issue | 229.6 million |
| Percentage of the issued share capital subject to the Offer | 100 per cent |
| Market capitalisation at the Offer Price | £413.3 million |
| 1994 earnings per ordinary share[1] | |
| before exceptional items | 11.1 pence |
| after exceptional items | 10.1 pence |
| Historic price earnings multiple at the Offer Price[2] | |
| before exceptional items | 16.2 times |
| *after exceptional items* | 17.8 times |
| *Notional net dividend per ordinary share*[3] | *5.0 pence* |
| Notional gross dividend yield at the Offer Price[4] | 3.5 per cent |
| Notional dividend cover[5] | 2.2 times |

**GROUP STATISTICS**

| | | | 1994[1] £m |
|---|---|---|---|
| Number of stores[6] | 56 | Sales | 721.7 |
| Selling space (million sq ft)[6] | 4.74 | Operating profit before exceptional items | 45.0 |
| Number of *employees*[7] | 10,582 | Net assets | 248.2 |
| *Equivalent number of full* time employees[7] | 7,734 | Net borrowings | 93.0 |

**Notes**

(1) *These figures have been extracted from the Accountants' Report in Part Six of the Prospectus.*

(2) The historic price earnings multiple is calculated by dividing the Offer Price by the 1994 earnings per *ordinary share.*

(3) Notional net dividend per ordinary share represents the dividend per ordinary share for the year ended *29th January, 1994 which the Directors believe they would have been justified in recommending if the* ordinary shares had been listed on the London Stock Exchange for the whole of the 1994 financial year with the current capital structure.

(4) Notional gross dividend yield at the Offer Price is calculated by dividing the notional gross dividend per ordinary share (being the notional net dividend per ordinary share plus the associated 20 per cent tax credit) by the Offer Price.

(5) Notional dividend cover is calculated by dividing 1994 earnings per ordinary share before exceptional items by the notional net dividend per ordinary share.

(6) Measured as at 29th January, 1994, taking account of the closure of the Army & Navy stores in Lewisham and Gravesend and Arnotts in Glasgow which took place at or since the year end. The selling space of these stores was 0.2 million sq ft.

(7) As at 29th January, 1994.

**Year ends**

Unless the context implies otherwise, a reference in this document to a year, such as "1994", is to the financial year of House of Fraser ending on the last Saturday in January of that year.

**DIRECTORS**

The *Directors* are *Brian McGowan* (Chairman), *Andrew Jennings (Managing Director)*, Tony Hancock (Operations Director and Deputy Managing Director), Ian Martin (non-executive Director), William Mathieson (non-executive Director) and Richard Scott (Finance Director).

## TERMS AND CONDITIONS OF APPLICATION

1 **TERMS AND CONDITIONS**

Applications are made on the following terms and conditions, together with those set out or referred to in the relevant Application Form or its associated guide. In the case of a joint application, references in these terms and conditions to "you" or the "applicant" are to each of you, and your liability is joint and several. The "Guide to the Public Application Form" forms part of these terms and conditions for applicants using the Public Application Form. The "Guide to the Preferential Application Form" forms part of these terms and *conditions for applicants using the Preferential Application Form. The "Guide to the* Intermediaries Bulk Application Form" forms part of these terms and conditions for applicants using the Intermediaries Bulk Application Form.

(A) The contract arising from the acceptance of an application under the Public Offer will be conditional on (i) Listing becoming effective at or before 5 am on 6th April, 1994, or such later time or date as S.G.Warburg, Harrods Investments and the Company may agree and (ii) the Placing and Offer for Sale Agreement referred to in paragraph 10 of Part Seven of the Prospectus becoming wholly unconditional and not being terminated before Listing. If conditions (i) and (ii) are not satisfied, monies collected in respect of applications will be refunded (without interest) by returning the applicant's cheque or banker's draft or by sending a cheque crossed "Account Payee" in favour of the applicant(s) through the post to the address of the applicant or, in the case of joint applicants, to the first-named applicant at the risk of the applicant(s).

(B) The right is reserved to present cheques and banker's drafts on or after 28th March, 1994 for payment before the conditions referred to in paragraph (A) have been satisfied and to retain renounceable letters of allocation and surplus application monies (if any) pending clearance of applicants' cheques and banker's drafts. The right is also reserved to reject any application in respect of which the applicant(s) cheque or banker's draft has not been cleared on first presentation and, in any event, by 3 pm on 31st March, 1994. Application monies will be kept in a separate bank account (except application monies in respect of applications on *Preferential Application Forms, which will be paid into a trust account of* The Share Centre Ltd pending transmission to Lloyds Bank Plc, Lloyds Bank Registrars). S.G.Warburg may, as agent of Harrods Investments, require an applicant to pay interest or its other resulting costs (or both) if the cheque or banker's draft accompanying his application is not honoured on first presentation. If an applicant is required to pay interest he *will be obliged* to pay the *amount determined* by S.G.Warburg to be the interest on the amount of the cheque or banker's draft from the date on which the basis of allocation under the Public Offer is publicly announced, until the date of receipt of cleared funds. The rate of interest will be the then published bank base rate of a clearing bank selected by S.G.Warburg plus 2 per cent per annum.

(C) Subject to the terms of the Preferential Offer, the basis of allocation for applications will be determined by S.G.Warburg in its absolute discretion but after consultation with the

(iv) ... application is accepted and/or a cheque crossed "Account Payee" for any monies returnable (without interest) by post at your risk and to your address.

... not been and will not be registered under the Securities Act and that your subscription for ordinary shares is being made in a transaction exempt from the registration requirements of the Securities Act; and (b) warrant that you are not a Canadian person (as defined in paragraph (G) below) and are not applying for, and will not be acquiring, ordinary shares on behalf of or for the account of any Canadian person or with a view to re-offer or re-sale in Canada or to any Canadian person;

(xi) agree that, having had the opportunity to read the Prospectus, you shall be deemed to have had notice of all information and representations concerning the Company or any other member of the Group contained therein;

(H) The dates and times referred to in these terms and conditions may be altered by S.G.Warburg so as to be consistent with the Placing and Offer for Sale Agreement referred to in paragraph 10 of Part Seven of the Prospectus (as the same may be altered from time to time).

2 **BASIS OF ACCEPTANCE AND DEALING ARRANGEMENTS**

*Public Application Forms and Intermediaries Bulk Application Forms must be sent by post* or delivered by hand to Lloyds Bank Plc, Lloyds Bank Registrars, Receiving Bank Services, Antholin House, 71 Queen Street, London EC4N 1SL, and Preferential Application Forms must be sent to The Share Centre Ltd., P.O. Box 1000, St. Peter's House, Market Place, ...

# Courtaulds Textiles' flat £39m pleases City

By Tim Burt

Shares in Courtaulds Textiles climbed 5p to 568p after fears of a sharp fall in profits at the clothing and fabrics group failed to materialise.

The group, which three months ago saw its shares fall 10 per cent to 489p following a profits warning, yesterday reported flat pre-tax profits of £38.6m (£39.1m) for the year to December 31.

Although hit by volatile consumer demand and continued recession in continental Europe, turnover increased by 3.8 per cent to £923.1m (£889.6m) and operating profits rose marginally to £49.5m (£49.3m).

Expressing confidence in its future prospects, the group is proposing a final dividend of 9.5p (9.2p) to lift the total for the year to 14.2p (13.6p).

Earnings per share, however, fell from a restated 30.1p to 29.2p.

Mr Noel Jervis, chief executive, said the company would have reported increased pre-tax profits had it not decided to abandon its policy of offsetting interest charges by taking a pension credit through the profit and loss account.

Last year the company reduced the pension credit – part of a surplus built up on the group's pension fund – to £1.3m (£4.8m) and warned of no further credit payments.

This led to a sharp increase in net interest payable to £4.2m (£1.8m) on unchanged year-end borrowings of £17.7m.

Of the group's five divisions, branded clothing suffered the sharpest decline as operating profits fell to £600,000 (£5.9m) despite increased turnover of £195.1m (£193.6m).

Mr Jervis blamed the downturn on operational problems at its Aristoc factory in the Midlands, which makes hosiery for retailers such as Marks and Spencer, and large stock write-downs at Georges Rech, its French underwear business.

The fabrics division saw profits fall to £19.9m (£22.1m) as margins in Europe were hit by falling prices, which wiped out improved performances in Britain and the US.

Reduced profits in the two divisions were offset by gains to home furnishings, spinning and own-label clothing, with the latter business reporting the largest rise to £16.3m (£10.9m).

● COMMENT

Having forecast bad news last December, Courtaulds Textiles' flat performance came as a pleasant surprise. Although there are still problems to be ironed out in its fabrics business, increased reorganisation costs of £7.6m (£6.8m) signalled its intention to further restructure any operations making unsatisfactory returns. Having spent more than £41m on acquisitions, it is also expected to emerge as a group with a strong international presence and highly regarded products. That prospect is reflected in forecast profits of up to £48m which, on a forward multiple of 15.9, make the group a moderately attractive option.

# Imry buys £118m property portfolio

By Vanessa Houlder, Property Correspondent

Imry Holdings, the property company taken over by Barclays, the clearing bank, in December 1992, has acquired a £117.9m property portfolio from Timberlaine, a subsidiary of General Accident.

The portfolio consists of 1.7m sq ft of space in the south-east of England, mainly in Hampshire and Surrey.

Imry said the deal gave it a portfolio of "scope and quality", which complemented its existing investment and trading portfolio. The deal was financed by debt provided by GE Capital and equity from its own resources.

General Accident said the deal gave it the opportunity to rationalise its overall property holdings and concentrate on new investment areas.

About 28 per cent of the portfolio is unlet, mostly in new buildings. About £5.9m of the purchase price relates to development sites, particularly in Southampton and Bristol. The portfolio consists of 42 per cent offices, 32 per cent industrial and warehouses and 24 per cent retail.

Barclay's involvement in Imry began in 1989 when it financed a highly-leveraged takeover of the company. Imry has said that it expects to be floated or reversed into a quoted company.

# Fleming European £50m share issue

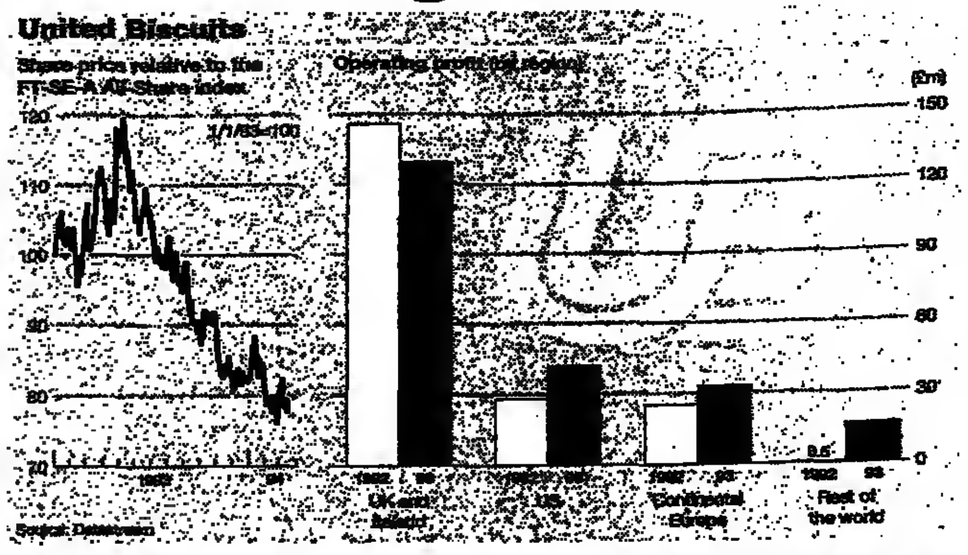
Fleming European Fledgeling Investment Trust is seeking up to £50m, before expenses, by the issue of up to 50m conversion shares at 100p each.

Of the shares, 10.5m have been conditionally placed with the balance being made available to shareholders and warrantholders and to the public through an offer for subscription.

The conversion into ordinary shares will be on the basis of the relative net asset values. Warrants will also be issued on the basis of 1-for-5 new ordinaries.

# £121m restructuring costs hit UB

By Tony Jackson




United Biscuits' full year profits before exceptionals were up 6 per cent before tax at £181.8m, in what the company said was a year of progress. However, the figures were marred by reorganisation costs totalling £121.3m, and profit falls in UB's central business of UK biscuits and snacks.

The restructuring costs fall mostly on UB's troubled US subsidiary Keebler. Including provisions already announced of £11.2m for the closure of a snack plant at Raleigh, North Carolina, the total US cost will come to £92.6m.

In the UK and Europe costs will be £28.6m, of which £4m will be spent on closing a plant in Hungary and the rest chiefly on redundancies, especially in middle management.

Before exceptionals, profits in UK biscuits were down 10 per cent at £83.8m, while UK snack profits were down 4 per cent at £34.8m. Biscuit profits overseas were up 10 per cent at £21m.

Snack profits in Europe were up 49 per cent at £12.8m, while snack profits in the Asia Pacific region, helped by last year's acquisition of Smith's in Australia, went from an £0.7m loss to a £15.5m profit.

Ross Young's, the UK frozen foods business, increased profits by 7 per cent to £30.4m.

At Keebler, profits before exceptionals were up 51 per cent to £40.1m. In dollar terms, profits of $64m were still well below the 1991 peak of $120m. Mr Eric Nicoli, chief executive, said Keebler's dollar profits were up 55 per cent in the second half.

Volume sales of biscuits in the US had fallen substantially last year, he said. However, studies UB had undertaken as part of its rationalisation programme did not envisage volume falling further.

Group sales were up 10 per cent at £3.45bn. Overseas sales were 55 per cent of the total, compared to 52 per cent the year before. Exceptional charges totalled £65.1m, with the reorganisation costs partly offset by £47.8m profits on disposals, chiefly the UK confectioner Terry's.

After reorganisation costs, pre-tax profit was down 28 per cent at £116.7m. Earnings per share before exceptionals were up 4 per cent at 24.2p. After exceptionals, earnings were 12.8p, leaving an unchanged dividend of 15.3p for the year only 84 per cent covered. UB said its intention was to rebuild dividend cover to two times.

UB said there were encouraging signs for trading in the current year, though all its main markets remained highly competitive.

# Kwik-Fit advances by 49%

By Paul Taylor

Property sales, cost cutting and aggressive marketing helped Kwik-Fit Holdings, the tyre, exhaust and brakes fitter, lift full year pre-tax profits by 49 per cent.

Pre-tax profits in the year to February 28 increased to £25.4m, against £17.1m, on turnover which grew by 11 per cent to £260.1m (£233.6m.) The profit figures included net property profits of £4.08m (£3.74m).

Earnings per share increased by 47 per cent to 10.39p (7.06p) and a final dividend of 2.3p (2p) is recommended making a total for the year up 13.4 per cent to 3.8p (3.35p). The shares closed 11p up at 167½p.

Operating profits advanced 51 per cent to £23.1m (£15.3m), reflecting the benefits of higher volumes and reductions in the underlying cost base.

At the year-end Kwik-Fit was operating through 626 retail centres, up from 610 a year earlier. This included 125 in Holland and Belgium and 10 in Ireland.

Mr Tom Farmer, chairman, said UK sales and profit growth were achieved "against very demanding conditions". Operating profits increased 35 per cent to £18m on turnover up 9 per cent at £202m.

The group launched a cut-price tyree campaign in November aimed at boosting volumes and market share. As a result it claimed its share of the replacement tyre market jumped by four percentage points to 18 per cent and overall sales for the year grew by 10 per cent to £108.3m.

Exhaust sales grew by 4 per cent to £63.1m while revenues from the new nationwide brake fitting business grew by 40 per cent to £9.5m.

Overseas operations contributed £5.1m (£2m) to profits on turnover which increased by 19 per cent to £58.1m (£49m).

Net interest costs fell to £1.77m (£1.96m) and the group ended the period with £20.7m (£100,000) of net cash.

● COMMENT

Kwik-Fit's business is growing again, but the group faces an uphill slog to get back to its peak profit performance. Profits last year were helped by property sales, the recovery of the Dutch operations and cost reductions which will be difficult to repeat. The decision to go for volume and market share in the replacement tyre market means margins, which were already under pressure because of the shift in sales mix, will be lower. The move into the brake repair and replacement market could enable the group to make better use of its fixed cost base, but Kwik-Fit has yet to demonstrate that it can win a sizeable share of the market. Pre-tax profits this year should be about £23.5m, producing earnings of 9.6p. The shares are trading on a forward multiple of 17.4 and look fairly valued.

# Dublin broker fined over Greencore placing

By Tim Coone in Dublin

The London Stock Exchange has reprimanded and imposed a I£150,000 (£144,000) fine on J&E Davy Stockbrokers, Dublin's largest firm of brokers.

The moves followed a protracted enquiry into the placing last April of the Irish government's 30.4 per cent stake in Greencore, the sugar, milling and malting group.

In a brief statement the London Stock Exchange said Davy's conduct in the placing "was, in some respects, detrimental to the interests of the Stock Exchange".

It gave no further details of which rules it judged had been infringed by the Dublin firm.

The I£68m placing came close to being a debacle when it transpired that Davy had entered into a profit or loss sharing agreement with SG Warburg in London as a buyer of last resort for 10m of the shares.

On the day of the placing, however, Davy unwound this arrangement and instead sold 7m of the shares to firms connected with Davy without informing the market.

Several large institutional investors then pulled out of the placing, and it was only rescued when the Bank of Ireland, which owns 90 per cent of Davy, stepped in to buy 9.6m shares at a cost of I£26m.

Trading in Greencore shares had to be suspended for several days following a ruling from the Irish stock exchange that the market was trading "on misleading information".

# Pochin's halved to £0.8m but interim held

Pre-tax profits at Pochin's, the building, plant hire and property group, were halved from a restated £1.6m to £836,000 in the six months to end November.

However, Mr Nicholas Pochin, chairman, said that the result was an advance on the second half of last year and that both profits and turnover for those 12 months had been "inflated by a large design and build project".

Mr Pochin said he thought "a fragile recovery" in the industry had started. He added that although there was no consistent pattern, Pochin's had recently been more successful in gaining work and the forward order book was "reasonable".

Earnings per share were cut to 56.2p (110.5p) but the interim dividend is held at 8p. Turnover on continuing activities fell to £15.3m (£24.4m) – all the corresponding figures are restated – and there was a £338,000 (nil) contribution from acquisitions.

At the operating level, there were losses of £2,000 (profits £899,000). Other income edged ahead to £1m (£939,000) and interest payable eased to £168,000 (£234,000).

## Vodafone placing

Vodafone, the cellular phone operator, said its acquisition of one-third of the issued share capital of General Mobile Communications from Compagnie Générale des Eaux is being satisfied entirely by a placing of 5.91m new ordinary 5p Vodafone shares at 564p apiece – raising about £33m.

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Dairy Farm

Highlights 1993

A Year of Expansion

- Profit after taxation + 11%
- Earnings per ordinary share + 4%
- Dividends per ordinary share + 5%

After a further year of investment in Asia, Australasia and Europe, the Group, including associates, now has:

- Sales of US$9.6 billion
- 2,440 retail outlets
- 80,000 employees

*"With its extensive experience in discount food retailing, the Company is well placed to retain its leadership in the markets which it serves. In 1994, Dairy Farm's focus will be on the development of its existing businesses and the search for expansion opportunities into new markets, particularly in the Asia-Pacific Region."*

Simon Keswick, Chairman
17th March 1994

1993 RESULTS

| | Year ended 31st December 1993 US$m | 1992 US$m |
|---|---|---|
| Turnover | 4,979.6 | 4,738.7 |
| Operating profit | 162.3 | 155.3 |
| Share of profit of associates | 98.5 | 84.2 |
| Other operating income | 10.0 | 6.6 |
| Profit before interest | 270.8 | 246.1 |
| Net interest expense | (18.5) | (26.3) |
| Profit before taxation | 252.3 | 219.8 |
| Taxation | | |
| — Company and subsidiaries | (29.3) | (19.9) |
| — associates | (25.2) | (22.2) |
| Profit after taxation | 197.8 | 177.7 |
| Minority interests | (0.3) | 0.1 |
| Profit after taxation and minority interests | 197.5 | 177.8 |
| Extraordinary items | – | 126.9 |
| Profit attributable to Shareholders | 197.5 | 304.7 |
| Preference dividends | (8.7) | – |
| Profit attributable to ordinary Shareholders | 188.8 | 304.7 |
| Ordinary dividends | (95.5) | (89.2) |
| Retained profit for the year | 93.3 | 215.5 |
| Shareholders' funds | 1,001.1 | 726.3 |
| | US¢ | US¢ |
| Earnings per ordinary share | 11.28 | 10.81 |
| Dividends per ordinary share | 5.65 | 5.38 |

Dairy Farm International Holdings Limited
*Incorporated in Bermuda with limited liability*

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*The final dividend of US¢4.10 per ordinary share will be payable on 8th June 1994, subject to approval at the Annual General Meeting to be held on 31st May 1994, to ordinary Shareholders on the register of members at the close of business on 8th April 1994, and will be available in cash with a scrip alternative. The ordinary share registers will be closed from 11th to 15th April 1994 inclusive. The ordinary dividend will be available in United States Dollars, Australian Dollars, Hong Kong Dollars and Sterling. Ordinary Shareholders on the Jersey branch register will receive United States Dollars while ordinary Shareholders on the Hong Kong branch register will receive Hong Kong Dollars, unless they elect for one of the alternative currencies by notifying the Company's registrars or transfer agents by 20th May 1994. Ordinary Shareholders whose shares are held through the Central Depository System in Singapore ("CDP") will receive Hong Kong Dollars, unless they elect through CDP to receive United States Dollars.*

مكتبة من الاصل

## COMPANY NEWS: UK

# Arjo optimistic despite 24% decline to £122m

By Daniel Green

The paper industry has begun to recover after five years of decline, according to Arjo Wiggins Appleton, the Anglo-French paper manufacturer. In an optimistic statement yesterday, it said that paper prices had begun to rise in the last quarter of 1993 and remained firm this year.

However, the benefits of this recovery in prices and volume came too late to prevent a 24 per cent fall in pre-tax profits to £122.1m (£161.1m) in 1993.

Volume rose by 3 per cent and turnover by 4 per cent to £2.73bn. However, at constant 1993 average exchange rates, turnover fell 4 per cent implying an average fall in prices of 7 per cent.

The pre-tax figure was hurt by exceptional restructuring costs of £13.7m for the closure of a German pulp mill and a 25 per cent reduction in staff at a Spanish mill.

It was also hit by provisions for unrealised losses on foreign currency loans to its Portuguese associate Soporcel. This figure was £14.1m (£3m).

The effect of these was that operating profit, before exceptionals, was down just 5 per cent to £184.4m (£193m).

Earnings per share fell by 35 per cent to 7.5p (11.6p). The proposed final dividend is held at 3.85p making an unchanged 6.5p for the year.

The dividend cover of 1.3 was a low in the current cycle, said Mr Alain Soulas, chief executive. He repeated the company's aim of maintaining long term cover in the 2 to 2.5 range.

Net borrowings rose slightly to £303.2m (£284.9m) with gearing at 25.7 per cent (23.6 per cent). Mr Soulas said that the strength of the balance sheet meant "we can grow by acquisition, especially in paper merchanting."

● **COMMENT**

At first sight, Mr Soulas' optimism looks overdone. A few months of recovery seem scant compensation for years of falling sales and profits and a frozen dividend. But a business like Arjo's has huge operational gearing: when sales and prices recover, a lot of the gain falls straight through to the bottom line. The real question is whether the sales growth since the autumn has been much more than merchants restocking. Four years of falling prices meant that stocks were as low as possible on the grounds that they would be even cheaper the following month. But there are some good signs: real price rises and six months of better sales sounds like genuine demand. Even if there is a hiccup over the slow summer months, 1994's pre-tax profits should easily exceed 1992's and possibly stretch towards the £170m mark. That would be a long way short of the £260m achieved as recently as 1991 and would still leave the stock on a chunky prospective p/e in the upper 20s. But if recovery continues, that operational gearing should come to the rescue and push the p/e below the market average by 1996.

# Gas move benefits British Borneo

By Peggy Hollinger

Greater exposure to the gas market helped British-Borneo, the exploration company, to offset the effects of a declining oil price and report a 14 per cent increase in net profits to £8.7m for the year to December 31.

Mr Alan Gaynor, managing director, said British-Borneo had had "a hell of a year. I think we have now come of age." The company increased its oil and gas revenues by 56 per cent to £28m.

Mr Gaynor said British-Borneo had maintained its exploration success rate of 40 per cent for the third consecutive year. It intended in the current year to step up investment in exploration, particularly in the US, from about $18m a year to up to $30m.

The changes to the petroleum revenue tax introduced in the last budget had made the North Sea a less attractive option. Exploration costs were some four times higher as a result, Mr Gaynor said.

British-Borneo had doubled investment in the US to about $9m in the year just ended, helping it to benefit from the 15 per cent increase in the average US gas price during the year. Part of the revenue improvement was due to becoming an operator, as opposed to being a hands-off investor, for the first time, Mr Gaynor said.

British-Borneo was beginning to see opportunities to build up its oil assets in light of the weak price. Any acquisitions and investments would be funded through cash flow, Mr Gaynor said.

Income from the group's portfolio of oil and gas investments fell from £7.2m to £5.4m. However, the group realised some £4.3m from the portfolio which ended the year with a market value of £19.3m.

The dividend was maintained at 4.433p, for a steady total of 7.1p. Earnings rose from 16.93p to 19.33p.

## Chieftain buy

Chieftain, the insulation and fireproofing group, has paid £250,000 for Blackett Charlton

# Haden MacLellan calls for £13m

By Andrew Baxter

Haden MacLellan Holdings, the engineering group, yesterday announced a 1-for-4 rights issue to raise about £13m and 1993 pre-tax profits up from £4.3m to £4.5m.

Haden, with interests including paint finishing systems for the automotive industry and distribution of industrial fasteners and machine tools, wants to strengthen its finances to fund organic growth opportunities.

Turnover rose from £294.2m, including £18.2m from discontinued activities, to £309.6m. A lower tax charge of £1.5m (£2.1m) left earnings per share at 3.5p (2.6p) and the proposed final dividend is held at 1p, making an unchanged 2p for the year.

Mr Harold Cottam, chairman, said the strategic review which he initiated after joining the group in 1992 had established the way forward for the company, and the latest results showed it had achieved its first and most immediate objective of stabilising earnings.

Process engineering and services lifted profits from £2.6m to £3.2m, reflecting a turnround from a loss of £3.4m to profit of £1.5m in its restructured North American business. However there was a deeper-than-expected downturn in Europe and a £500,000 provision for closing the Spanish operation.

In manufacturing and distribution, profits dropped from £4m to £2.8m. Manufacturing dropped to £600,000 (£1.8m), reflecting £1m of reorganisation costs, and distribution was unchanged at £2.2m with a good performance in industrial fasteners – identified as a core business for future growth – offset by a downturn on the machine tool side.

The rights issue is priced at 62p per share, compared with yesterday's closing price of 78p, down 2p, and is fully underwritten by Schroders. De Zoete & Bevan are brokers to the issue. Mr Cottam said the issue would be broadly neutral for shareholders and had received strong support from institutions.

● **COMMENT**

A modest rights issue makes a good deal of sense. Net cash has fallen from about £18m at the end of 1991 to a negative £11.6m in line with the virtual disappearance of advanced payments and even, on occasions, phased payments, in contracting. Yet without the money, topped up over the next few months, perhaps, by about £7m from selling the Duport foundry business, Haden would clearly be unable to exploit the opportunities from its global leadership in paint finishing systems. Nor would it be able to take full advantage of the reorganisation and refocusing of the past 18 months. Shareholders will be encouraged by the company's intention to resume dividend growth once appropriate cover has been achieved, and, with a modest rise in profits this year as business picks up in the second half, the prospective p/e is between 15 and 16, based on the current shares.

# Davis Service advances to £21.8m

By David Wighton

Davis Service Group, the business services company formerly known as Godfrey Davis, saw pre-tax profits rise from £17.5m to £21.8m in 1993 though underlying trading profits were flat.

The figures were boosted by the £52m acquisition of the HSS tool hire business from John Mowlem in May, which made a £2.9m contribution after financing costs. The deal was funded largely by a £34.7m share placing.

Mr John Ivey, chief executive, said that HSS had performed slightly better than expected with demand showing some recovery in the fourth quarter. "We were lucky to buy it at the right time."

Operating profits from continuing operations slipped from £19.2m to £19m due to problems in the textile maintenance division where profits fell £1m to £12.2m.

The workwear manufacturing business, which broke even in 1992, fell into the red on sales of around £20m due to stiff competition from both UK and overseas suppliers. Mr Ivey said the company was undertaking "a detailed review" of its manufacturing operation and declined to say whether it formed part of the group's long-term plans.

Profits from portable building rental rose from £3.4m to £3.8m and support services, which supplies cleaning and catering services, saw profits jump 20 per cent to £3.7m. However this growth stemmed largely from new contracts won at the end of 1992.

Little new work was taken on last year due to the confusion over whether the Tupe regulations protecting employees' rights when their employer changes hands apply to contracting out of services. The group's policy is not to take on new public sector contracts until the position is clarified.

Mr Ivey said that HSS's profits for the year as a whole were 20 per cent up on 1992 on turnover 13 per cent higher. The company is looking to add 20 new branches to the HSS network this year.

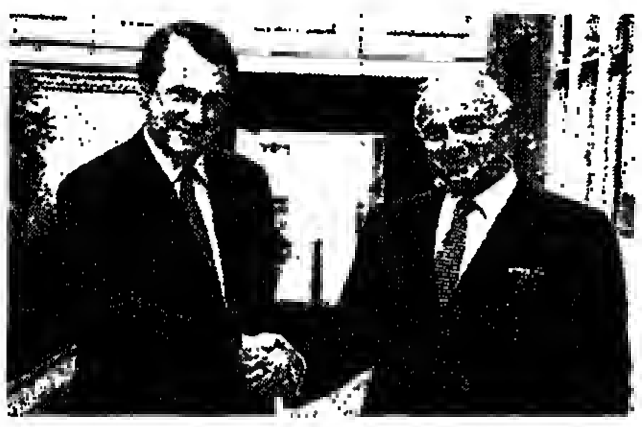
Reported earnings per share rose from 14.36p to 15.49p, but adjusting for gains and losses on disposals earnings edged up from 15p to 15.1p. Dividends are held at 7.98p with a final of 5.25p.

● **COMMENT**

But for the HSS acquisition, Davis's prospects would be looking distinctly dull. There is scope for recovery in textile rental, though its markets will not pick up in a hurry, and workwear manufacturing should be back in the black this year but support services have been snared in the legislative tangle over contracting out. Luckily Davis picked up HSS at just the right time and, unlike Mowlem, can afford to invest in it. Supplying small builders and the DIY market it has already seen demand pick up nicely and its full year contribution could take profits to over £25m putting the shares at 261p on a multiple of little over 15. One for the more conservative investor.

# JM and Cookson in ceramic link

By David Blackwell



Lydie van der Meer

Chris Clark, left, and Richard Oster: getting together to create the number two in a world market estimated to be worth $1bn

Johnson Matthey, the precious metals group, and Cookson, the specialist industrial materials group, are planning to link their ceramic interests in a joint venture that would be number two in the world market.

The colour and print division of Johnson Matthey, which makes colours, stains and liquid precious metal preparations for the tableware, sanitary ware and glass industries, would be joined with Cookson's ceramic supplies and minerals division. This side makes colours and glazes for the tableware, sanitary ware and tile industries.

Both companies cater for different aspects of the world market, which Mr Chris Clark, managing director of Johnson Matthey, estimated as worth £1bn a year. The market leader is Ferro of the US, with more than 20 per cent.

Johnson Matthey's division made operating profits of £11.3m on sales of £103.3m in the year to the end of March 1993, when its net assets were £69.9m. Cookson's division made operating profits of £11.8m on sales of £135.6m in the year to end December, when net assets were £90m.

The joint venture, to be known as Cookson Matthey Ceramics, would be owned half and half and have up to 20 per cent of the world market. Both companies are transferring assets of equal value to the venture, so there would be no compensating payments.

Mr Richard Oster, who has spent the past few years refocusing Cookson on its core businesses, including ceramics, described the proposed deal as "sort of a dream come true".

Mr Oster will be chairman of Cookson Matthey Ceramics, and Mr Clark chief executive.

# GGT shares fall 55p on profits warning

By Diane Summers, Marketing Correspondent

A second profits warning in five months from Gold Greenlees Trott, the advertising group, yesterday prompted a 55p fall in the company's shares to 184p.

GGT also warned that it would be cutting its total dividend from 8.3p to 5.3p for the 12 months ending April 30.

The company said it was unlikely that pre-tax profits would exceed £3m for the year. In October it said profits would exceed 1993's figure of £4.3m, but warned that City forecasts of around £8m were optimistic.

The company said it had adequate cash balances – averaging about £20m – but the directors considered it "prudent to adjust the dividend in order to revert to a more normal level of dividend cover".

The final pay-out will be cut to 2p. The directors said the balance between the interim and final dividend would be adjusted next year.

The warning in October followed lower-than-expected profits in the UK, but GGT said then that it hoped a strong performance from the US would cushion the impact of the shortfall.

The company said yesterday: "It has now become clear that this will now not happen, primarily due to the postponement of a national launch by a major client [Coors Brewing], pending the results of a regional test market, and higher than expected new business-related costs."

GGT added that it remained confident in the underlying strength of its business and had already taken steps to improve growth and profitability, particularly in the UK.

# Cala at £337,000 and calls for £7.9m

By Jean Marshall

Cala, the Edinburgh-based housebuilder and property developer, is raising £7.9m through a 1-for-5 rights issue of up to 7.16m new ordinary shares at 116p.

At the same time, the company announced a continuation in the recovery seen in the second half last year with pre-tax profits of £337,000 for the six months to December 31 against losses of £2.85m.

Mr Geoffrey Ball, the chairman, said the return to profitability had been helped by lower interest rates and improved trading conditions in the UK housing market. It had also been helped by action taken, including running down the joint venture housebuilding business in southern England, closing the commercial property division in England, reducing the housebuilding divisions from seven to two, reducing overheads and improving site operations.

Turnover for the six months rose by 31 per cent to £27.1m (£20.6m) generating operating profits of £755,000 (£1.38m losses). Interest charges took £402,000 (£1.24m).

Earnings per share emerged at 0.63p (5.39p losses) and the interim dividend is stepped up to 0.9p (0.75p). The directors are hoping to recommend a final of not less than 1.8p.

Mr Ball said that since the beginning of 1994 Cala's trading experience in Scotland had been consistently good while that in England remained patchy.

The proceeds of the rights issue will be used to increase Cala Homes (Scotland)'s growth and enable Cala (South) to build up its land bank over the next two years. It is fully underwritten by Kleinwort Benson Securities.

The shares fell 5p to 137p.

# Wagon £6m acquisition

Wagon Industrial Holdings, the materials handling, engineering and automotive products group, has paid £6.1m in cash and shares for the refrigeration, air conditioning and maintenance division of Kenyon UK.

According to management accounts the division made profits of about £1m for 1993.

The directors stated that the book value of the assets purchased amount to £3.7m with no debts being assumed.

Up to £1m of the purchase price will be repaid if certain profit targets are not achieved within the first year.

# Mount Edon again denied

Mount Edon Gold Mines has, for the third time been denied by the Australian courts in its opposition to the recommended takeover of Europa Minerals, the mining finance house in which it has a 19.9 per cent stake, by Burmine, an Australian company.

Mount Edon is trying to scotch what is in effect a three-way merger between Burmine and Europa. Mr Justice Jenkinson of the Federal Court of Australia affirmed the decision of the independent scrutineer to disregard the votes cast by Mount Edon and its associates on resolution 6 at the Burmine meeting.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NOTICE IS HEREBY GIVEN in accordance with condition 4(b) of the Terms and Conditions of the Notes. The Issuer will redeem all outstanding Notes at their principal amount on the next Interest Payment Date falling on 29th April 1994, when interest on the Notes will cease to accrue.

Repayment of principal will be made upon presentation and surrender of the Notes, with all the unmatured coupons attached, at the offices of any of the Paying Agents listed below.

Accrued interest due 29th April 1994, will be paid in the normal manner on or after that date against Coupon No. 17.

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Notice to the holders of A warrants and B warrants originating from Mediobanca International 1991-1996 Bonds with Banca di Roma (formerly Banco di Santo Spirito) warrants.

The Board of Directors of Banca di Roma has convened an ordinary shareholders General Meeting for the 30th April 1994 as a first convening, and, if necessary, for the 2nd May 1994 as a second convening to approve, among other items, the 1993 Balance Sheet and the allocation of the dividend.

Consequently, in accordance with article 3 (c) of terms and conditions of the A warrants and with article 3 (c) of terms and conditions of the B warrants governing "Banca di Roma (formerly Banco di Santo Spirito) warrants" request to exercise said warrants may not be presented during the period between the 26th March 1994 and the day after the dividend payment, which date will be decided by the General Meeting.

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# Courtaulds Textiles' flat £39m pleases City

By Tim Burt

Shares in Courtaulds Textiles climbed 5p to 568p after fears of a sharp fall in profits at the clothing and fabrics group failed to materialise.

The group, which three months ago saw its shares fall 10 per cent to 489p following a profits warning, yesterday reported flat pre-tax profits of £38.8m (£39.1m) for the year to December 31.

Although hit by volatile consumer demand and continued recession in continental Europe, turnover increased by 3.8 per cent to £923.1m (£889.6m) and operating profits rose marginally to £49.5m (£49.3m).

Expressing confidence in its future prospects, the group is proposing a final dividend of 9.5p (9.2p) to lift the total for the year to 14.2p (13.6p).

Earnings per share, however, fell from a restated 30.1p to 29.2p.

Mr Noel Jervis, chief executive, said the company would have reported increased pre-tax profits had it not decided to abandon its policy of offsetting interest charges by taking a pension credit through the profit and loss account.

Last year the company reduced the pension credit – part of a surplus built up on the group's pension fund – to £1.3m (£4.8m) and warned of no further credit payments.

This led to a sharp increase in net interest payable to £4.2m (£1.8m) on unchanged year-end borrowings of £17.7m.

Of the group's five divisions, branded clothing suffered the sharpest decline as operating profits fell to £600,000 (£5.9m) despite increased turnover of £195.1m (£193.6m).

Mr Jervis blamed the downturn on operational problems at its Aristoc factory in the Midlands, which makes hosiery for retailers such as Marks and Spencer, and large stock write-downs at Georges Rech, its French underwear business.

The fabrics division saw profits fall to £19.9m (£22.1m) as margins in Europe were hit by falling prices, which wiped out improved performances in Britain and the US.

Reduced profits in the two divisions were offset by gains to home furnishings, spinning and own-label clothing, with the latter business reporting the largest rise to £16.3m (£10.9m).

● **COMMENT**

*Having forecast bad news last* December, Courtaulds Textiles' flat performance came as a pleasant surprise. Although there are still problems to be ironed out in its fabrics business, increased reorganisation costs of £7.6m (£6.8m) signalled its intention to further restructure any operations making unsatisfactory returns. Having spent more than £41m on acquisitions, it is also expected to emerge as a group with a strong international presence and highly regarded products. That prospect is reflected in forecast profits of up to £48m which, on a forward multiple of 15.9, make the group a moderately attractive option.

# Kwik-Fit advances by 49%

By Paul Taylor

Property sales, cost cutting and aggressive marketing helped Kwik-Fit Holdings, the tyre, exhaust and brakes fitter, lift full year pre-tax profits by 49 per cent.

Pre-tax profits in the year to February 28 increased to £25.4m, against £17.1m, on turnover which grew by 11 per cent to £260.1m (£233.6m.) The profit figures included net property profits of £4.08m (£3.74m).

Earnings per share increased by 47 per cent to 10.39p (7.06p) and a final dividend of 2.2p (2p) is recommended making a total for the year up 13.4 per cent to 3.8p (3.35p). The shares closed 11p up at 167½p.

Operating profits advanced 51 per cent to £23.1m (£15.3m), reflecting the benefits of higher volumes and reductions in the underlying cost base.

At the year-end Kwik-Fit was operating through 626 retail centres, up from 610 a year earlier. This included 125 in Holland and Belgium and 10 in Ireland.

Mr Tom Farmer, chairman, said UK sales and profit growth were achieved "against very demanding conditions". Operating profits increased 35 per cent to £18m on turnover up 9 per cent at £202m.

The group launched a cut-price tyree campaign in November aimed at boosting volumes and market share. As a result it claimed its share of the replacement tyre market jumped by four percentage points to 18 per cent and overall sales for the year grew by 10 per cent to £108.3m.

Exhaust sales grew by 4 per cent to £63.1m while revenues from the new nationwide brake fitting business grew by 40 per cent to £9.5m.

Overseas operations contributed £5.1m (£2m) to profits on turnover which increased by 19 per cent to £58.1m (£49m).

Net interest costs fell to £1.77m (£1.96m) and the group ended the period with £20.7m (£100,000) of net cash.

● **COMMENT**

Kwik-Fit's business is growing again, but the group faces an uphill slog to get back to its peak profit performance. Profits last year were helped by property sales, the recovery of the Dutch operations and cost reductions which will be difficult to repeat. The decision to go for volume and market share in the replacement tyre market means margins, which were already under pressure because of the shift in sales mix, will be lower. The move into the brake repair and replacement market could enable the group to make better use of its fixed cost base, but Kwik-Fit has yet to demonstrate that it can win a sizeable share of the market. Pre-tax profits this year should be about £23.5m, producing earnings of 9.6p. The shares are trading on a forward multiple of 17.4 and look fairly valued.

# Imry buys £118m property portfolio

By Vanessa Houlder, Property Correspondent

Imry Holdings, the property company taken over by Barclays, the clearing bank, in December 1992, has acquired a £117.9m property portfolio from Timberlaine, a subsidiary of General Accident.

The portfolio consists of 1.7m sq ft of space in the south-east of England, mainly in Hampshire and Surrey.

Imry said the deal gave it a portfolio of "scope and quality", which complemented its existing investment and trading portfolio. The deal was financed by debt provided by GE Capital and equity from its own resources.

General Accident said the deal gave it the opportunity to rationalise its overall property holdings and concentrate on new investment areas.

About 28 per cent of the portfolio is unlet, mostly in new buildings. About £5.9m of the purchase price relates to development sites, particularly in Southampton and Bristol. The portfolio consists of 42 per cent offices, 32 per cent industrial and warehouses and 24 per cent retail.

Barclay's involvement in Imry began in 1989 when it financed a highly-leveraged takeover of the company. Imry has said that it expects to be floated or reversed into a quoted company.

## Fleming European £50m share issue

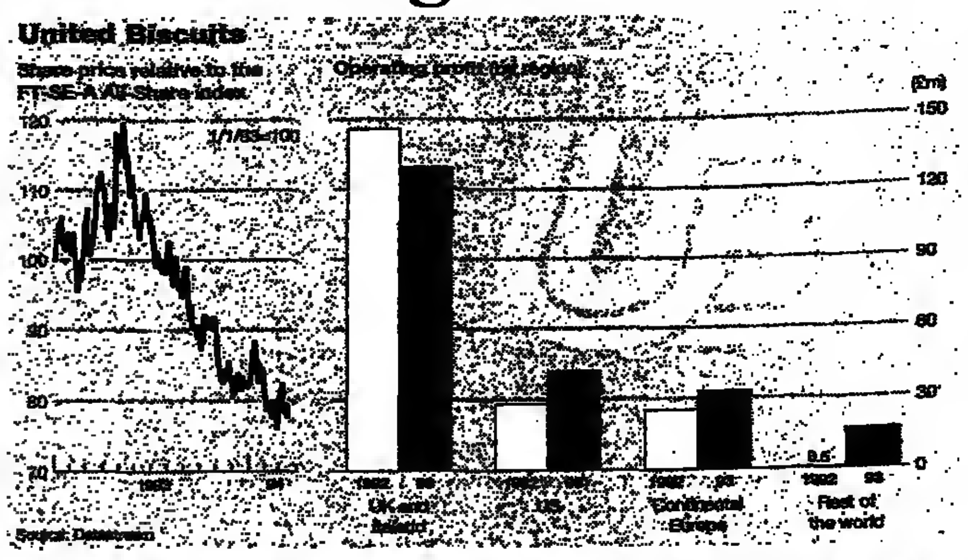
Fleming European Fledgeling Investment Trust is seeking up to £50m, before expenses, by the issue of up to 50m conversion shares at 100p each.

Of the shares, 10.5m have been conditionally placed with the balance being made available to shareholders and warrantholders and to the public through an offer for subscription.

The conversion into ordinary shares will be on the basis of the relative net asset values. Warrants will also be issued on the basis of 1-for-5 new ordinaries.

# £121m restructuring costs hit UB

By Tony Jackson




United Biscuits' full year profits before exceptionals were up 6 per cent before tax at £181.8m, in what the company said was a year of progress. However, the figures were marred by reorganisation costs totalling £121.2m, and profit falls in UB's central business of UK biscuits and snacks.

The restructuring costs fall mostly on UB's troubled US subsidiary Keebler. Including provisions already announced of £11.2m for the closure of a snack plant at Raleigh, North Carolina, the total US cost will come to £92.6m.

In the UK and Europe costs will be £28.6m, of which £4m will be spent on closing a plant in Hungary and the rest chiefly on redundancies, especially in middle management.

Before exceptionals, profits in UK biscuits were down 10 per cent at £83.8m, while UK snack profits were down 4 per cent at £34.8m. Biscuit profits overseas were up 10 per cent at £21m.

Snack profits in Europe were up 49 per cent at £12.8m, while snack profits in the Asia Pacific region, helped by last year's acquisition of Smith's in Australia, went from an £0.7m loss to a £15.5m profit.

Ross Young's, the UK frozen foods business, increased profits by 7 per cent to £30.4m.

At Keebler, profits before exceptionals were up 51 per cent to £40.1m. In dollar terms, profits of $64m were still well below the 1991 peak of $120m. Mr Eric Nicoli, chief executive, said Keebler's dollar profits were up 55 per cent in the second half.

Volume sales of biscuits in the US had fallen substantially last year, he said. However, studies UB had undertaken as part of its rationalisation programme did not envisage volume falling further.

Group sales were up 10 per cent at £3.45bn. Overseas sales were 55 per cent of the total, compared to 52 per cent the year before. Exceptional charges totalled £65.1m, with the reorganisation costs partly offset by £47.8m profits on disposals, chiefly the UK confectioner Terry's.

After reorganisation costs, pre-tax profit was down 28 per cent at £118.7m. Earnings per share before exceptionals were up 4 per cent at 24.2p. After exceptionals, earnings were 12.8p, leaving an unchanged dividend of 15.3p for the year only 84 per cent covered. UB said its intention was to rebuild dividend cover to two times.

UB said there were encouraging signs for trading in the current year, though all its main markets remained highly competitive.

# Dublin broker fined over Greencore placing

By Tim Coone in Dublin

The London Stock Exchange has reprimanded and imposed a I£150,000 (£144,000) fine on J&E Davy Stockbrokers, Dublin's largest firm of brokers.

The moves followed a protracted enquiry into the placing last April of the Irish government's 30.4 per cent stake in Greencore, the sugar, milling and malting group.

In a brief statement the London Stock Exchange said Davy's conduct in the placing "was, in some respects, detrimental to the interests of the Stock Exchange".

It gave no further details of which rules it judged had been infringed by the Dublin firm.

The I£68m placing came close to being a debacle when it transpired that Davy had entered into a profit or loss sharing agreement with SG Warburg in London as a buyer of last resort for 10m of the shares.

On the day of the placing, however, Davy unwound this arrangement and instead sold 7m of the shares to firms connected with Davy without informing the market.

Several large institutional investors then pulled out of the placing, and it was only rescued when the Bank of Ireland, which owns 90 per cent of Davy, stepped in to buy 9.6m shares at a cost of I£26m.

Trading in Greencore shares had to be suspended for several days following a ruling from the Irish stock exchange that the market was trading "on misleading information".

# Pochin's halved to £0.8m but interim held

Pre-tax profits at Pochin's, the building, plant hire and property group, were halved from a restated £1.6m to £836,000 in the six months to end November.

However, Mr Nicholas Pochin, chairman, said that the result was an advance on the second half of last year and that both profits and turnover for those 12 months had been "inflated by a large design and build project".

Mr Pochin said he thought "a fragile recovery" in the industry had started. He added that although there was no consistent pattern, Pochin's had recently been more successful in gaining work and the forward order book was "reasonable".

Earnings per share were cut to 56.2p (110.5p) but the interim dividend is held at 8p. Turnover on continuing activities fell to £15.3m (£24.4m) – all the corresponding figures are restated – and there was a £338,000 (nil) contribution from acquisitions.

At the operating level, there were losses of £2,000 (profits £899,000). Other income edged ahead to £1m (£939,000) and interest payable eased to £168,000 (£234,000).

## Vodafone placing

Vodafone, the cellular phone operator, said its acquisition of one-third of the issued share capital of General Mobile Communications from Compagnie Générale des Eaux is being satisfied entirely by a placing of 5.91m new ordinary 5p Vodafone shares at 564p apiece – raising about £33m.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Asian Development Bank

**Mr Francis Leung**
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Yamaichi Securities Co Ltd

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Dairy Farm Highlights 1993

*A Year of Expansion*

- Profit after taxation + 11%
- Earnings per ordinary share + 4%
- Dividends per ordinary share + 5%

After a further year of investment in Asia, Australasia and Europe, the Group, including associates, now has:

- Sales of US$9.6 billion
- 2,440 retail outlets
- 80,000 employees

*"With its extensive experience in discount food retailing, the Company is well placed to retain its leadership in the markets which it serves. In 1994, Dairy Farm's focus will be on the development of its existing businesses and the search for expansion opportunities into new markets, particularly in the Asia-Pacific Region."*

Simon Keswick, Chairman
17th March 1994

1993 RESULTS

| | Year ended 31st December 1993 US$m | 1992 US$m |
|---|---|---|
| Turnover | 4,979.6 | 4,738.7 |
| Operating profit | 162.3 | 155.3 |
| *Share of profit of associates* | 98.5 | 84.2 |
| Other operating income | 10.0 | 6.6 |
| Profit before interest | 270.8 | 246.1 |
| Net interest expense | (18.5) | (26.3) |
| Profit before taxation | 252.3 | 219.8 |
| Taxation | | |
| — Company and subsidiaries | (29.3) | (19.9) |
| — associates | (25.2) | (22.2) |
| Profit after taxation | 197.8 | 177.7 |
| Minority interests | (0.3) | 0.1 |
| Profit after taxation and minority interests | 197.5 | 177.8 |
| Extraordinary items | – | 126.9 |
| Profit attributable to Shareholders | 197.5 | 304.7 |
| Preference dividends | (8.7) | – |
| Profit attributable to ordinary Shareholders | 188.8 | 304.7 |
| Ordinary dividends | (95.5) | (89.2) |
| Retained profit for the year | 93.3 | 215.5 |
| Shareholders' funds | 1,001.1 | 726.3 |
| | USc | USc |
| Earnings per ordinary share | 11.28 | 10.81 |
| Dividends per ordinary share | 5.65 | 5.38 |

**Dairy Farm International Holdings Limited**
*Incorporated in Bermuda with limited liability*

A member of the Jardine Matheson Group

*The final dividend of USc4.10 per ordinary share will be payable on 8th June 1994, subject to approval at the Annual General Meeting to be held on 31st May 1994, to ordinary Shareholders on the register of members at the close of business on 8th April 1994, and will be available in cash with a scrip alternative. The ordinary share registers will be closed from 11th to 15th April 1994 inclusive. The ordinary dividend will be available in United States Dollars, Australian Dollars, Hong Kong Dollars and Sterling. Ordinary Shareholders on the Jersey branch register will receive United States Dollars while ordinary Shareholders on the Hong Kong branch register will receive Hong Kong Dollars, unless they elect for one of the alternative currencies by notifying the Company's registrars or transfer agents by 20th May 1994. Ordinary Shareholders whose shares are held through the Central Depository System in Singapore ("CDP") will receive Hong Kong Dollars, unless they elect through CDP to receive United States Dollars.*

# Attwoods falls to £9m as German recession bites

By Peggy Hollinger and Bernard Simon in Toronto

*Ken Foreman: one-off charges would affect full-year result*

Attwoods, the UK waste management company, yesterday announced a sharper than expected 53 per cent decline in interim pre-tax profits from £19.3m to £8.98m as the effects of severe recession in Germany began to bite.

The company also said it was planning to strengthen its board with three oon-executive appointments. The first would be Mr Mark Radcliffe, a director of the Loodon Stock Exchange. The others would be named soon, Lord Lane of Horsell, chairman, said.

Laidlaw, the Canadian group which owns 35 per cent of Attwoods and has three directors on the board, yesterday reaffirmed its commitment to the UK company. Mr Jim Bullock, Laidlaw's chief executive, said he did not intend to maintaio the status quo with Attwoods in the long term. But, "we are not in any way poised to sell our position," he added.

Attwoods, meanwhile, stressed the rest of the year would be difficult. Mr Ken Foreman, chief executive, said full-year profits were expected to be lower after a series of one-off charges.

Mr Foreman was more optimistic about 1995 however. "I believe real growth will show through then," he said. There were signs of an improvement in the UK, with landfill prices expected to firm after the introduction of environmental legislation in May.

Pre-tax profits for the six months to January 31 were hit by the final £2.7m exceptional costs of settling protracted litigation in the US. The previous year had also been flattered by some £5m in currency gains. At the operating level, excluding litigation costs, profits were 12 per cent lower at £16.26m. Sales were 9 per cent higher at £178.49m.

The UK returned the best performance, with a 39 per cent increase in operating profits to £2m on sales 17 per cent ahead to £30.4m. Mainland Europe suffered from the sharp downturn in Germany, and operating profits fell by 40 per cent from DM13.2m to DM7.9m (£3.07m) on sales 4 per cent lower at DM81.4m.

US profits, which suffered from losses in the medical waste operation as a result of price pressure, fell from $21.2m to $13.8m (£9.4m) on sales $2m lower at $171.6m.

The dividend is held at 1.75p. Earnings fell from 5.27p to 1.97p per share.

● **COMMENT**

Attwoods shares are likely to be overshadowed by Laidlaw's future intentions, the problems in Germany and exposure to very mature markets. While the good news is that significant progress has been made on improving the balance sheet, and prices are firming in the UK, doubts remain about margins in other parts of the world. Forecasts were downgraded from about £30m to about £23m after a disappointing second quarter. This puts the shares on a prospective p/e of about 22, which looks fully valued.

# Purchases help Baynes rise 48%

By Tim Burt

Contributions from acquisitions helped Charles Baynes, the distribution and specialist engineering business, lift 1993 pre-tax profits by 48 per cent.

The group, which spent £48m on purchases during the year dominated by Buck & Hickman, the industrial tools distributor acquired for £33m last autumn, said contributions from these operations pushed profits up from £5.6m to £8.2m.

Sales advanced to £91.2m (£70.3m), including £27.2m from acquisitions. The comparative figure included £5.68m from discontinued activities. Continuing activities rose 41 per cent.

Acquisitions provided £2.56m of operating profits of £7.9m (£4.1m). Profits from underlying businesses moved ahead 34 per cent to £5.4m, despite a 1 per cent fall in turnover.

Earnings per share increased to 3.71p (2.8p), while a proposed final dividend of 1.075p (0.9p) takes the total to 1.65p (1.425p).

Welcoming the figures, Mr John Perkins, finance director, said the group had defied flat markets in the UK and continental Europe and increased operating margins by embarking on a cost-cutting programme.

Aerospace engineering suffered the brunt of the rationalisation as the workforce was cut by 25 per cent to 430 after six plants acquired from Cookson Group were merged on one site.

"The eerospace business remains poor and we do not envisage a substantial pick up before 1995," according to Mr Perkins, who predicted further rationalisation in the valves and packaging sectors.

He also binted et fresb acquisitions, which would be financed from cash reserves or debt rather than new equity.

● **COMMENT**

Witb net cash of £10.1m, Baynes is well-placed to pick off small engineering companies and has the support of its bankers to go for larger prey. Its ability to do so has been enbanced considerebly by stripping ont costs from existing businesses and making shrewd purchases at home and abroad. Impressed by its strategy, analysts have upgraded profit forecasts to £12.1m. Although the prospective multiple of 17.5 is abead of the sector average, the shares are worth considering given the group's record for earnings enhancing deals.

# Folding of the brewing umbrella

## Regionals lose the protection of Whitbread. Tony Jackson reports

On Thursday of last week, with little fuss, one of British brewing's historic institutions was abolished when Whitbread, one of the giants of the industry, sold £225m-worth of shares in eight smaller brewers.

Thus endad tba so-called "Wbitbread umbrella", whereby for 40 years Whitbread had beld strategic stakes in local brewers to protect them from takeover by their bigger rivals.

The obvious question now arises: given that protection was necessary in tbe first place, are the regional brewers being thrown to the wolves?

Not necessarily. In many industries, size means everything. In UK brewing, there is evidence that middle-sized companies these days can not only hold their own against the giants, but can actually gain ground.

This can be simply illustrated by combining the results of e dozen regional brewers* and comparing them with Britain's biggest brewer and publican, Bass.

Last year, the regional sample hed combined sales of £1.8bn and operating profits of £255m, a margin of 14 per cent. Bass's brewing and pub divisions had combined sales of £2.3bn and profits of £361m, e margin of 16 per cent. Scale economies, it seems, are worth something in UK brewing: but not much.

Look at the best performers in the regional group, and the balance tilts the other way. Morland, the Oxfordshire brewer, had a margin last year of 23 per cent. Over the past five years, its sales have grown by an average 19 per cent e year, while its earnings per share are up 11 per cent over the period. Greene King, based in East Anglia, has margins of 19 per cent and everage sales growth of 7 per cent. Bass as a group raised its sales by 2.5 per cent a year over the period, while its earnings fell by nearly a third.

In one sense, Bass could argue that its poor performance is the result of enemy action. Since 1989, when the government took steps against the industry on competition grounds, there has been e ceiling on the number of licensed premises the big brewers can own. Not only are groups like Bass and Whitbread barred from increasing their pub estates: in compliance with the Beer Orders (as the legislation is known) they had to get rid of pubs and take large restructuring charges against profits.

In fact, the Beer Orders are less of a constraint than they appear. They limit only the number of pubs the big brewers can own. Bass, like many of its smaller competitors, has little desire to increase the number of its pnbs. This is because the tied house system has left the brewers with a long tail of small, unprofitable tenanted pubs whose sole purpose is to mop up the last of the brewery's output. The big or middle-sized brewers want to get rid of those pubs and acquire bigger, more profitable managed pubs instead.

More fundamentally, the big brewers face the problem that in some parts of their business, size can be a positive disadvantage.

It is, of course, more economical to produce beer in huge, modern breweries, and to promote national brands through the national media. But distribution is another matter. Very often, the local brewer has all his pubs within a few miles of the brewery: and for a product consisting almost wholly of water, most of whose retail price goes to the government, this is an important advantage.

As for the pubs themselves, a crucial drawback for the big brewers is that they have failed to introduce branding into their outlets.

A Whitbread dray outside the Old Bell in London's Exeter Street

Retail chains like Boots or Marks and Spencer can use a standard national format to drive smaller rivals out of business. For the big brewers, the reverse can be the case. Watneys, for instance, now jointly owned by Grand Metropolitan and Fosters, has in recent years expunged its name from many of its pub frontages, preferring modest anonymity.

The result of this can be e reverse economy of scale. Run one pub, and you make e given profit. Run fifty, and you have to hire an accountant, a buyer, a property expert and security staff. Quite possibly, none of those pubs will be more inherently profitable than the one you started with. If so, the extra overhead is a dead loss.

So wbat shape will the industry take, now that Whitbread has taken its umbrella eway?

Brokers' analysts, who are perhaps interested parties, argue for a degree of concentration. But, they agree, it will take a limited form. Rather than the big brewers snapping up the smaller, the medium-sized brewers will snap up the smallest. This may take time, since many of the smallest are protected by family holdings or restricted voting structures.

The point is, however, that the middle-sized brewers from which Whitbread withdrew its protection last week are mostly able to take care of themselves.

Companies such as Morland, Greene King, Marston and Wolverhampton & Dudley have developed varied and successful strategies to cope with the changing world of UK brewing.

In stock market terms, all stand on higher multiples and lower yields than the industry leaders. For the big brewers, the Beer Orders are e handy excuse for not snapping up their smaller rivals. In truth, they might be pushed to afford them.

**Boddington, Devenish, Eldridge Pope, Fullers, Greenall, Greene King, Mansfield, Marston, Morland, Vaux, Wolverhampton & Dudley, Youngs.*

# Learmonth & Burchett's shares fall on warning

By Alan Cane

Shares in Learmonth & Burchett Management Systems, the USM-quoted computing services company, fell by 31 per cent from 140p to 96p on a warning that profits for the year to April 30 were likely to be well below expectations.

The company also said it was unlikely to pay a final dividend.

At the halfway stage, Mr Rainer Burchett, chairman, had indicated pre-tax profits for the full year of about £1.8m.

The source of the company's problems is poor trading in the UK, where customers have been slow to finalise orders.

Mr Neil Davies, chief financial officer, said that full-year losses before tax of up to £1m could be expected if two or three of the company's larger customers failed to complete purchases.

The company said that a reorganisation had been put in place, including the resignation in December of the director responsible for operations and a reduction of £2m in operating costs, but improved results from the UK business could not be expected before next year.

At the halfway stage the shares lost a quarter of their value when the company reported pre-tax profits of only £210,000, 73 per cent lower than the £753,000 recorded the previous year.

Turnover for the half year was £13.1m.

LBMS develops large scale and expensive computer software which makes it easier for computer specialists to write programmes.

The company now derives more than half its turnover from the US, where LBMS is growing at an average of 50 per cent a year.

# Stake sale boosts Cairn to £2.3m

The placing of a minority stake in a US offshore enabled Cairn Energy, the oil and gas explorer and producer, to report pre-tax profits up from £818,000 to £2.31m in 1993.

The £3.66m surplus made up for a write-down of oil and gas assets totalling £2.68m. Results were also helped by the acquisition of Teredo Petroleum in May and a firm US gas market.

However, Mr Norman Lessels, chairman, warned that if the current low oil prices were maintained 1994 cash flow and profits would be adversely affected.

Group turnover was up from £13.1m to £18.2m. Earnings per share were 3.53p (3.03p).

During the year the group sold its interest in the Hatfield Moors UK onshore gas field and an onshore New Zealand oilfield for a total of £1.9m.

# Oliver takes first step on road to recovery

By Gary Evans

Oliver Group, the multiple shoe retailer, has marked the first stage of its recovery programme with a return to the black in the year ended January 1 1994.

Following its exit from non-core activities, the group turned in a pre-tax profit of £344,000, compared with a restated £20.87m loss previously. The shares rose 4p to 48p yesterday.

Sales in the year fell by 10 per cent to £73.6m, largely reflecting an average of 73 fewer branches than last time. However, on a like-for-like basis sales growth was 5.7 per cent, which Mr Denis Cassidy, chairman, said "represents a promising step forward."

Mr Cassidy said this year had started well with sales in the first 10 weeks ahead of last year on a like for like basis and in line with expectations.

At the trading level, the profit was £1.12m (£11.26m loss) before a £429,000 surplus (£7.53m loss) on disposal of properties. There was also e £277,000 charge this time for closure costs, which mainly comprised a £261,000 goodwill write-off on the Brick Studio business.

Net interest was halved to £1.09m, helped by falling interest rates, a £2.85m increase in cash and a £2.7m fall in bank borrowings. Gearing was reduced to 58 per cent (73.1 per cent).

Earnings per share were 1.49p (82.03p losses). Again no dividend has been declared – none has been paid since 1991.

Mr Cassidy said major improvements in children's footwear ranges had produced impressive gains in 1993. "We intend to push home this advantage in 1994," he added.

# Dawsongroup advances 67% to £7.9m

By David Blackwell

Dewsongroup, the Milton Keynes-based commercial vehicle hire and distribution company, lifted pre-tax profits by 67 per cent for the year ended December 31.

Mr Peter Dawson, the executive chairman who holds almost 65 per cent of the shares, said that the performance proved that the company had pursued the right strategy through the recession.

Profits were up from £4.75m to £7.92m. Turnover grew by 14 per cent from £46.7m to £53.3m, and operating margins rose from 19.2 per cent to 24.2 per cent.

Earnings per share rose from 10.4p to 17.3p. A final dividend of 3p is proposed, giving a total of 4.5p (3p).

Mr Dawson, who today resigns as executive chairman to become chairman and managing director of a new Dutch division, said the group was continuing to make progress to broaden its customer base.

The group has two main divisions - truck and trailer rentals and a large Volvo truck dealership.

The rentals division's profits before tax were 77 per cent ahead from £4.21m to £7.45m on turnover up 8 per cent at £36.6m (£34m).

Mr Michael Williams, who took over as chief executive in November, said the key factor in the rentals division performance had been the utilisation and hire rates on short-term rentals for both trucks and rentals.

The average short-term truck fleet was 11 per cent down, while utilisation was 4 percentage points ahead at 76 per cent. The average short-term trailer fleet was 14 per cent ahead, with utilisation maintained at 83 per cent.

The size of the contract hire fleet, which contributes 40 per cent of revenue, had been maintained. In contrast, the portable cold store fleet grew by 40 per cent and doubled turnover to £2m.

Pre-tax profits for the commercial vehicles division fell from £534,000 to £475,000 on turnover sharply up from £23m to £35.3m.

Mr Dawson said he expected to see continued growth in the coming year. The two-week old international division, which he is heading will operate in the cold store and trailer markets, and hopes to have 25 units in each market by the year end.

See People

# Templeton raising up to £140m

By Gillian O'Connor, Personal Finance Editor

A conversion issue by Templeton Emerging Markets Investment Trust is to raise up to £140m in a placing and offer of up to 140m C shares. Conversion will take place once the assets relating to the C shares are 80 per cent invested or on September 16 1994, whichever is the earlier.

The institutional placing, through Smith New Court, will account for 105m of the new shares, and the remaining 35m will be available to existing investors and the public. Templeton, with total assets of about £391m is already the largest of the 8 emerging markets investment trusts.

The new shares will be offered with warrants attached on e 1-for-5 basis. The warrants, which are exercisable at 399p annually from 1995 to 2004, will also be given to existing shareholders.

As at March 11 1994 the trust's diluted net asset value was 396.3p per share.

Last applications under the public offer are due on Thursday April 14.

Emerging markets funds were popular with investors last year, and Mr Mark Mobius, Templeton's investment manager, is regarded as one of the experts in the area. However, the shares of all emerging markets trusts have come off the top recently.

# Sanderson Bramall lifted by acquisitions to £3.8m

Bolstered by acquisitions, profits of the Sanderson Bramall Motor Group advanced from £1.41m to £3.77m pre-tax in 1993.

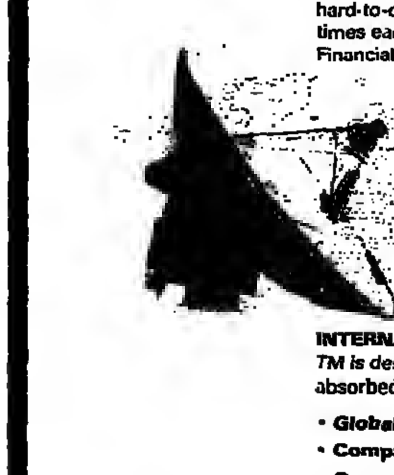
Turnover surged from £106.83m to £223.06m. The Skipper companies, acquired last July and partly financed by a £17m rights issue, contributed £84m to turnover and £1.41m to profits.

In all, ecquisitions added £103m to turnover and £2.12m to profits.

Earnings worked through et 10.09p (5.04p) and e proposed final dividend of 1.74p lifts the total by 20 per cent to 2.4p.

In October, the group completed the purchase of 28 per cent of Flightform, the UK franchise bolder for Thrifty Vehicle Rental, the US rental company. Earlier this month contracts were exchanged to purchase motor group Petrogate.


Telecom Markets is the essential source of regular information about the global telecommunications industry. It provides both hard-to-obtain news and specialist analysis for the professional 23 times each year, and is available only on subscription from the Financial Times.



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Notice of a Downward Revision in the Subscription Price of the Warrants (the "Warrants") of

TAISEI PREFAB CONSTRUCTION CO., LTD.
(the "Company")

Issued in conjunction with U.S.$100,000,000 3 per cent. Guaranteed Notes 1996 guaranteed by The Fuji Bank, Limited

Notice is hereby given that on 11th March, 1994, the average closing price per share of common stock of the Company, for the five consecutive trading days up to and including that date, multiplied by 1.025 and rounded upward to the nearest one yen, was less than the Subscription Price in effect on such day by not less than one yen, and that therefore, in accordance with Condition 2(A) of the Terms and Conditions of the Warrants (Downward Revision), the Subscription Price of the Warrants is to be adjusted as follows:

1. Subscription Price before adjustment: Yen 1,984.30
2. Subscription Price after adjustment: Yen 1,588.00
3. Effective date of the adjustment: 28th March, 1994 (Japan time)

The Fuji Bank and Trust Company as disbursement agent for and on behalf of

18th March, 1994 — Taisei Prefab Construction Co., Ltd.



To the Shareholders of

SVENSKA SELECTION FUND

You are hereby convened to attend the

ORDINARY GENERAL MEETING

of Svenska Selection Fund, which is going to be held on April 1st, 1994 at 14.45 p.m. at the Head Office, 146, bd de la Pétrusse L-2330 Luxembourg with the following

AGENDA

1. Reports of the Board of Directors and the Auditors.
2. Report of the Independent Auditor about the financial situation of this corporation.
3. Approval of the Balance Sheet and the Profit and Loss statement as at December 31st 1993.
4. Discharge to the Directors and to the statutory Auditor.
5. Statutory elections.
6. Miscellaneous

Yours faithfully

The Board of Directors



Daewoo Heavy Industries Ltd.

US$ 40,000,000

3 per cent. Convertible Bonds 2001

NOTICE OF DIVIDENDS IN SHARES AND CONVERSION PRICE ADJUSTMENT

Notice is hereby given to the holders of 3 per cent Convertible Bonds 2001 of Daewoo Heavy Industries Ltd. that at a Meeting of the Board of Directors helds on 14th December, 1993 the Company resolved to declare Dividends in Shares to the Shareholders registered as of 17:00 hours on 31th December, 1993 in proportion of 0.02 Shares per one Share and the payment of Dividends in Shares was approved by the Shareholders at the General Meeting of Shareholders held on 28th February, 1994 and as a result of Dividends in Shares the Conversion price was decreased from Korean Won 6,110 to Korean Won 5,990 per share effective retroactively 1st January, 1994.

Daewoo Heavy Industries Ltd.



CREDIT LYONNAIS
USD 500,000,000.- FRN DUE 1996

Bondholders are hereby informed that the rate for the coupon N° 5 has been fixed at 4 %, for a period starting on 14/03/1994 until 13/06/1994, inclusive, (representing a period of 92 days):

The coupon N° 5 will be payable on 14/06/1994 at the price of USD 102.22 for the USD 10 000 Notes, and USD 1,022.22 for the USD 100 000 Notes.

The Principal Paying Agent

CREDIT LYONNAIS



To the Shareholders of

SVENSKA HANDELSBANKEN BOND FUND

You are hereby convened to attend the

ORDINARY GENERAL MEETING

of Svenska Handelsbanken Bond Fund, which is going to be held on April 1st, 1994 at 14.30 p.m. at the Head Office, 146, bd de la Pétrusse L-2330 Luxembourg with the following

AGENDA

1. Reports of the Board of Directors and the Auditors.
2. Report of the Independent Auditor about the financial situation of this corporation.
3. Approval of the Balance Sheet and the Profit and Loss statement as at December 31st 1993.
4. Discharge to the Directors and to the statutory Auditor.
5. Statutory elections.
6. Miscellaneous

Yours faithfully

The Board of Directors

Survey points to an increase in takeover and merger activity over the next 12 months

# Eyes focus on the construction industry

By Andrew Taylor,
Construction Correspondent

More than a fifth of contractors and building material companies expect to be involved in acquisitions, mergers or joint ventures during the next 12 months, according to an industry survey published today in New Builder magazine.

The survey asked managing directors and chief executives of 180 companies about their intentions on staffing, merger activity and financing over the next year. It included most of the 20 largest contractors and building material suppliers in the UK. Twenty nine per cent of contractors, 20 per cent of building material companies and 27 per cent of housebuilders expected to be involved in mergers, joint ventures or acquisitions.

Takeover activity is expected to rise sharply as the industry moves out of recession and companies move to widen skills, increase their market share and reduce capacity in the sector by purchasing financially weaker rivals.

Travis Perkins, the builders' merchant, yesterday announced the purchase for £41.8m of the building merchants' interests of AAH – increasing by more than a quarter the number of outlets it operates from.

Taylor Woodrow, the large construction and property group, last month paid £30.8m to buy Heron's housebuilding operations. Chief executives of Wimpey, the contractor and housebuilder, Rugby, the cement group, and Marley, the building materials company, announcing annual results this week, signalled that they are also prepared to make acquisitions – taking advantage of improved balance sheets and better trading conditions in the UK and US.

Housebuilders such as Beazer, Persimmon, Redrow and Wainhomes – currently involved in share issues likely to total more than £700m – have also not ruled out acquisitions as a means of increasing their land holdings. Rationalisation of the brick industry is long overdue with companies like Ibstock Johnsen, which has struggled during the recession, a potential candidate for takeover or merger.

Builders' merchants are expected to be particularly aggressive following the £210m float announced recently by Graham Group, currently part of BTR, the industrial conglomerate.

# Travis expands as profits double to £20.5m

Travis Perkins is paying £41.8m to acquire the builders' merchants division of AAH, the pharmaceuticals and distribution company, writes Andrew Taylor.

Mr Tony Travis, chairman, said the purchase would put the company – the UK's fifth largest builders' merchant – on a par with Harcros and Jewsons, the second and third biggest builders' merchants behind market leader Wolseley.

The group also announced more than doubled pre-tax profits of £20.5m (£10m) for 1993 on a turnover 14.6 per cent ahead at £347.7m. Earnings jumped to 13p (6.7p) and a maintained final dividend of 5.5p makes an 8p (same) total.

Travis Perkins, which operates mainly in southern England and the south Midlands, currently owns 166 branches. It will be acquiring a further 46 outlets, many of which are in northern England and also in Scotland.

Wolseley, the world's biggest supplier of heating and plumbing equipment, operates from more than 600 branches. Rival bidders for the AAH business are thought to have included Wolseley, Meyer, CRH and Erith.

Mr Travis said the merchants had benefited from cost cutting in previous years as volume sales increased by about 11 per cent last year, of which only 3-4 per cent was due to previous acquisitions. Prices had also risen by about 3-4 per cent.

This had enabled the merchants to increase net margins from 3.2 per cent to 5.7 per cent. Travis Perkins sells a broader mix of products than AAH, which concentrates on lower margin heavyside goods such as bricks and blocks.

The builders' merchants business of AAH by comparison generated net margins of about 3 per cent on sales of £78.3m and pre-tax profits of £2.1m in the year March 31 1993. Profits are thought to have increased to about £2.4m in the current year on similar sales.

The purchase price could be adjusted by up to £5m depending on an audited value of net assets.

AAH, which is also negotiating the sale of its Yorkshire Brick subsidiary, said the purchase price represented an exit p/e of 29.4 on 1993 profits. It said the sale would increase AAH earnings for the year to March 31 1994 above market expectations.

Following the purchase Travis will be left with borrowings of about £35m compared with cash of £11.7m at the end of last year.

● **COMMENT**

The purchase price is not cheap even on an exit p/e of 24 on 1993-94 profits. Nonetheless, there is plenty of potential for margin recovery and cost savings and the management should be supported. The acquisition not only gives critical mass in terms of purchasing power but also improves the regional spread of the business – only five outlets out of 200 are likely to close because of overlap. Profits could reach £27m-£28m this year rising to £36m-£38m in 1995. Worth having in your portfolio in a sector which looks becoming increasingly aggressive.

# Lower debt provisions help Birmingham Midshires

By Alison Smith

Birmingham Midshires Building Society announced a two-thirds rise in 1993 pre-tax profits to £39.7m, compared with £23.9m, helped by a fall in provisions for bad and doubtful debts.

The society, the UK's 13th largest, cut its provisions from £37m to £22.3m. Mr Mike Jackson, chief executive, said that the society had acted earlier than some others in making provision and in taking aggressive action to deal with arrears. He expected provisions to fall at a similar pace in 1994.

Assets rose over the 12 months by 13 per cent to more than £4bn for the first time with £4.3bn, against £3.8bn, after a series of mortgage book acquisitions during the year.

The society's cost to income ratio remained above the sector average, though it fell from 53 per cent to 49.4 per cent last year. Mr Jackson said he expected the ratio to continue to fall, though at a slower rate because of the investments the society was undertaking.

Birmingham Midshires is spending some £20m in a new building, and is also investing in changing its core computer systems.

Mr Jackson said that the society was "in growth mode" and set as its priority the development of new products for its customers such as current accounts and offshore operations.

The society has stepped back from some of the activities into which it diversified a few years ago. It has sold its commercial insurance broker, stopped offering to process mortgages for third parties, and has a reduced estate agency business of some 22 branches compared with the 71 it had in 1990.

Birmingham Midshires attracted net retail funds of £251m in 1993, in which its postal accounts were an important element. Wholesale funding was 21.7 per cent of total shares and deposits.

# Jupiter Tyndall advances 65%

By Nigel Clark

A substantial increase in the profits of the fund management division were behind the 65 per cent increase in 1993 pre-tax at Jupiter Tyndall Group.

Mr John Duffield, chairman, said that there had been a good start to the present year, with a further substantial rise in the fund management activities.

The shares rose by 18p to 279p.

On turnover up 33 per cent to £19.3m (£14.5m), profits were £9.41m (£5.71m). Earnings per share were 22.1p (13.6p) and an increased final dividend of 7p is proposed for a total of 11p (7.5p). An enhanced scrip issue alternative is also planned at a level 50 per cent higher than the cash payment.

Fund management profits advanced 68 per cent to £6.69m with rises from pension funds, investment trusts, offshore funds and the company's Hong Kong office. The banking side fell slightly to £3.18m.

As a result of the growth in fund management the split between Jupiter's two activities had changed from 53 per cent for fund management to 47 per cent for banking in 1992 to 68:32 over 1993.

NEWS DIGEST

## Edmond hit by higher provision

An increased provision of £1.65m against land holdings left Edmond Holdings, the Northampton-based housebuilder, with higher pre-tax losses of £1.89m for the 1993 year on turnover lower at £11m.

The comparative figures showed land provisions of £322,000 and pre-tax losses of £1.15m on turnover of £12.6m.

Mr Andrew Naish, chairman, said the second half had seen an improvement for the first time in five years, resulting in a profit for the period of £61,000 before provisions and tax.

The company said that in view of the better trading and its underlying strength it was proposing to maintain the final dividend at 0.15p for a total of 0.3p (0.6p). Losses per share were 3.1p (1.5p).

## Ernest Green falls to £207,000

Profits of Ernest Green and Partners Holdings, the USM-traded structural, civil and environment engineering consultancy, declined from £302,000 to £207,000 pre-tax for the half year ended December 31.

Turnover was virtually static at £3.66m (£3.64m). The share of profits of the associate rose to £119,000 (£83,000), while interest receivable slipped to £68,000 (£135,000).

Earnings fell 1p to 1.8p, but the interim dividend is being maintained at 2.75p.

Directors said the order book was improving and the group remained financially strong.

## Rosebys rises 20% to £2.81m

Rosebys, the curtain and linen stores group, returned pre-tax profits of £2.81m for 1993, an improvement of 20 per cent over the previous year's £2.34m.

The advance, which included £220,000 from lease disposals, was achieved against a background of "patchy" trading conditions was scored from a turnover 8.6 per cent ahead at £48.83m.

Earnings emerged at 9.6p (8p) and a final dividend of 3.25p makes a 4.65p (3.9p) total.

Rosebys was floated by Cattle's in 1992 to raise additional capital.

## Cortecs reduces interim losses

Cortecs International, the pharmaceuticals company which has announced plans to raise £15m through a London flotation, yesterday reported slightly reduced interim losses.

Net losses were cut from A$4.32m to A$4.24m (£2.08m) in the six months to December 31, on sales of A$5.4m (A$5.14m). Losses per share were unchanged at 5.6 cents.

The company, incorporated in Australia, but with research, development, manufacturing and sales in the UK, already has an Australian listing.

## Recovery continues at S Daniels

S Daniels, supplier to food manufacturing and baking industries, continued its recovery in 1993 with profits of £63,000 pre-tax compared with losses of £64,000.

Mr Paul Daniels, chairman, said although the profit was modest and "far from our future aspirations" the year saw a big investment in people and projects designed to improve future results.

Sales rose 14 per cent to £36.7m (£32.3m). Earnings per share were 0.6p (0.9p losses). The proposed single final dividend is 0.3p (0.25p).

The balance sheet remained ungeared for most of the year and showed net bank balances and cash at a seasonal peak of £1.1m at the year end.


**SsangYong Oil Refining Company Limited**
**U.S. $150,000,000 3.75 per cent. Convertible Bonds due 2006**

NOTICE IS HEREBY GIVEN to the Bondholders that, upon approval by the general meeting of shareholders to be held on March 28, 1994 of a dividend in shares to the shareholders registered as of 17:00 on December 31, 1993, the existing Conversion Price per Non-voting Share will be adjusted from Won 19,100 to Won 18,724 with retroactive effect from January 1, 1994, pursuant to the provisions of the Trust Deed constituting the Bonds.

*Principal Paying and Conversion Agent:*
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## LEGAL NOTICE

In the High Court of Justice
No. 001419 of 1994
Chancery Division

IN THE MATTER OF
PHIBRO ENERGY LIMITED
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice, Chancery Division on 1st March 1994 for the confirmation of the reduction of the share capital of the above named Company from £10,000,000 and US $200,000,000 to £1,500,000 and US $200,000,000. AND NOTICE is further given that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 30th day of March 1994. Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of share capital should appear at the time of the hearing in person or by Counsel for that purpose. A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the Regulated Charge for the same.

Dated 18th day of March 1994
CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ
Ref: RWC
Solicitors to the Company

## COMPANY NOTICE

**CANADIAN PACIFIC LIMITED**

At a meeting of the Board of Directors held today, a quarterly dividend of eight cents (8c) Canadian per share on the outstanding Ordinary Shares was declared, payable on April 28, 1994, to holders of record at the close of business on March 25, 1994.

By Order of The Board

D. J. Deegan
Vice-President and Secretary
Calgary, Alta., March 14, 1994


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## The FT Disc Wallets

If you carry computer discs around or just want a smart and practical way of storing discs, you will find either of these two disc wallets invaluable.

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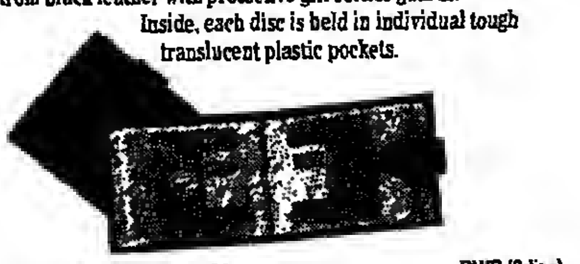
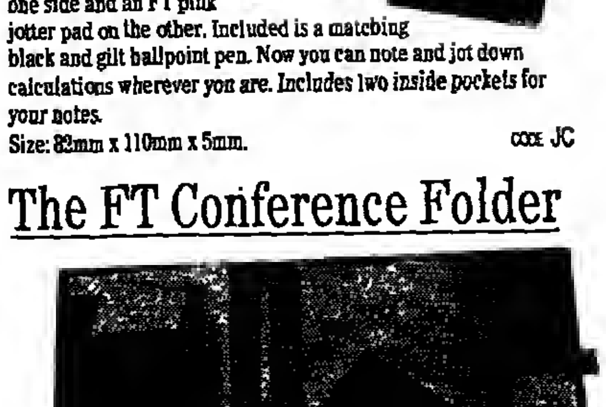


Size: 115mm x 110mm x 30mm. CODE DWS (6disc)
Size: 220mm x 130mm x 25mm. CODE DWL (10disc)

## The FT Jotter Calculator Wallet

This is such a handy little item you will wonder why you have not used one before. A small black leather wallet which contains a detachable solar powered calculator on one side and an FT pink jotter pad on the other. Included is a matching black and gilt ballpoint pen. Now you can note and jot down calculations wherever you are. Includes two inside pockets for your notes.
Size: 82mm x 110mm x 5mm. CODE JC

## The FT Conference Folder



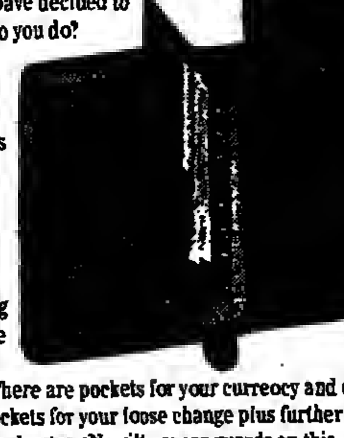
Crafted from one piece of leather and lined with FT pink moiré silk, the FT lockable conference folder contains a brass ring binder for holding your papers securely, A4 note pad and a small jotter pad. There are loops for pens and different sized pockets for papers and business cards so everything is kept neatly together. Supplied with a key. Refills for the A4 note pad and jotter are readily available.
Size: 320mm x 254mm x 32mm. CODE CFL

## The FT Billfold Wallet

This very practical wallet is made from supple soft black leather and fits easily into a jacket or hip pocket. Inside, there are two full length pockets to hold bank notes and a secure pocket for loose change or keys. It is also the perfect size for business cards. There are spaces for 5 credit cards and a see-through pocket for an ID photo card.
Size: 110mm x 95mm x 11mm. CODE BFW

## The FT Travel Organiser

An efficient, effort saving companion that finally solves those irritating problems we all experience from time to time. When passport and boarding card have separated and sterling is mixed with deutchmarks. When that important receipt is nowhere to be found and all your coins from all your travels have decided to meet together, what do you do?



The FT Travel Organiser is the solution. It keeps all your travel documents safely and efficiently close to hand.

Made from rich black leather it has pockets for your passport and boarding card and a detachable section for your traveller's cheques. There are pockets for your currency and even detachable zipped pockets for your loose change plus further pockets for receipts and notes. (No gilt corner guards on this item.)
Size: 232mm x 127mm x 19mm. CODE TOL

## The FT Document Case

Slim, lightweight, very elegant and practical, this document case is easier to take around on your travels than a briefcase. It has gusseted sides and holds A4 size documents. It is lockable and is supplied with a key. If you travel with an over-loaded briefcase this is a great way of keeping things in order - simply separate the items you need for your next meeting, put them in the document case and you are ready to go!

Size: 335mm x 240mm x 5mm. CODE DCL

## The FT Business Card Holder

This is a super black leather desk accessory that you can leave back at the office when you are travelling but one you will want to use the moment you return. An executive's business card holder with a capacity to hold up to sixty cards, in see-through plastic pockets.
Size: 135mm x 213mm x 10mm. CODE BCH

## The FT Jotter Wallet

An exceptionally slim black leather wallet which holds a loose-leaf jotter pad. It slips easily into a pocket and is ideal for jotting down notes when you are out and about.

Behind the jotter pad is a full-length pocket which is just the right size for banknotes, tickets and receipts. Refills for the FT-pink jotter pad are readily available.
Size: 173mm x 93mm. CODE J

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|---|---|---|---|---|---|
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| 10 Disc Wallet | DWL | £29.95 | £31.45 | | |
| Jotter/Calculator Wallet | JC | £19.98 | £20.28 | | |
| Conference Folder | CFL | £70.76 | £76.32 | | |
| Billfold Wallet | BFW | £19.62 | £20.64 | | |
| Travel Organiser | TOL | £94.76 | £96.87 | | |
| Document Case | DCL | £48.81 | £53.16 | | |
| Business Card Holder | BCH | £31.01 | £32.29 | | |
| Jotter Wallet | J | £12.08 | £13.33 | | |
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COMMODITIES AND AGRICULTURE

# Close vote expected on Nymex/Comex merger

By Laurie Morse in Boca Raton

Members of the New York Mercantile Exchange and the big New York metals market, Comex, will vote 25 April on a proposal to merge the two futures exchanges, pending final approval of the merger prospectus by both exchange boards of directors next Monday.

The merger, which has been under discussion for a year, would make the Comex a subsidiary of the Nymex and give members of each exchange some overlapping trading rights.

Nymex has offered $50m for the smaller exchange, and has projected about $8m of cost savings each year as a result of combining the two administrations. The two exchanges already share trading space in New York's World Trade Centre. Both are seeking to expand elsewhere in New York.

The plan to merge the two exchanges has been controversial from the start, and a Nymex official this week gave it only a 60-40 chance of gaining membership approval. Mr Daniel Rappaport, Nymex chairman, noted that for the initiative to pass at the Comex, it must earn the approval of two thirds of the membership, adding: "We all know that getting a two-thirds affirmative vote on anything at the exchanges is nearly unheard of".

At the Nymex the proposal needs 50 per cent of the vote to pass.

A law suit filed last month by a group of options traders at the Comex will complicate the transaction, Mr Rappaport said. The options traders, who have minority membership rights at the metals exchange, are suing to share in the $50m distribution should the merger be approved.

"The suit introduces a level of uncertainty about how much each Comex member would receive in the event of a merger," he said. "This potentially could tip the scale" against the plan. He said that while the Nymex is named in the suit, it is the Comex that must resolve the options traders' complaint.

# ANC takes the heat out of mining policy debate

## Chest-thumping has given place to level-headed discussions, writes Matthew Curtin

After an inauspicious start in January, the African National Congress and the South African mining industry have stopped chest-thumping and begun what seem to be level-headed discussions about the country's future mining and minerals policy.

The ANC wants the establishment of a new forum to include government, labour and a wider representation of the industry than the Chamber of Mines – made up of the leading mining houses but not foreign companies like RTZ and Shell. Joint technical committees are already tackling issues such as mineral rights, the environment, and safety, while the ANC has instructed its newly-established Minerals and Energy Policy Centre to draw up a small-mining policy.

These developments stand in stark contrast to the stormy briefing in late January when the ANC presented its draft policy to the industry. Mining executives vented their spleen at what they understood to be plans for the nationalisation of mineral rights and state intervention in minerals marketing.

In reality, the ANC talks only of the "reversion" of mineral rights to the state and the creation of a state minerals marketing auditor, although Mr Paul Jourdan, co-ordinator of mineral and energy policy, has done much to clarify its position after the furore. The latest draft stresses the importance of consultation with industry and omits wild estimates of extra revenue that might be raised by the "national marketing" of minerals.

Mr Jourdan stresses that the ANC intends only to bring the country's mineral rights regime in line with public ownership that exists in some US states, Canada and Australia, and that has to be negotiated. Confusion about minerals marketing stemmed from a proposal for a state marketing corporation put forward by the Macro-Economic Research Group, a left-wing ANC-aligned think-tank, which never made it to draft policy, while the ANC was unaware that the South African Reserve Bank already monitored mineral exports daily.

Mr Nick Segal, economics spokesman for the chamber, says the two parties can now focus on the central issue: "The maintenance of a healthy mining industry which includes more players than in the past". The chamber emphasises how precarious the mining business can be with employment on gold and coal mines having declined from more than 600,000 to 390,000 between 1989 and 1993, and the sector's contribution to gross domestic product shrunk from more than 16 per cent in 1986 to less than 10 per cent in 1992.

The mines have worked hard to stay in business, investing R50bn (US$14bn) in new projects in the past decade, improving productivity, and building a more constructive relationship with labour. The chamber says a sound future will depend on a stable economic and fiscal environment aimed at supporting existing mines and encouraging new investment.

In general, the ANC finds little fault with the chamber's analysis and has come to appreciate that the country's huge mineral wealth is a mixed blessing in some ways. The rigours of the global mining business are such that undisciplined exploitation of the lion's share of world chrome, platinum, and vanadium reserves that South Africa has would see commodity prices tumble and bring the industry to its knees.

However, a sense of injustice pervades ANC thinking on an industry that it sees as dominated for too long by a small clique of white-owned corporations. If mining, which still contributes nearly three quarters of foreign exchange earnings, is to provide the backbone of reconstruction and development, which Mr Jourdan believes it can, the industry will need new sticks and carrots to take up the challenge.

Large new capital projects given the go-ahead in the past 18 months have created precious few jobs while the ANC argues the stranglehold the chamber's members have over South Africa's most attractive mineral rights precludes the development of small-scale mining businesses and deters foreign investment. Passing mineral rights ownership from business to the state is a vital first step. The long tenure of mineral rights vital for developing high-risk long-term projects can be met by tailoring mining leases to industry needs, Mr Jourdan argues.

Mr Segal says there is no question of the chamber defending the status quo for the sake of it, but the complex mixed mineral rights regime, developing over 100 years, remains the cornerstone of the industry and underpins its ability to mount deep-level, long-term projects. He believes the absence of small-scale mining is overstated by the ANC – South Africa has dozens of small gold and coal operators – and encouragement of the sector has to be squared with the country's unique geology, which lends itself to large mining operations.

He adds: "There is scope for small-scale mining, for which access to mineral rights may be an impediment, but so are finance, safety and environmental considerations. We have work to do".

## MARKET REPORT

# Aluminium hits fresh highs

ALUMINIUM prices finished close to 19-month highs at the London Metal Exchange. Dealers said the market took advantage of a constructive technical picture and recent strength in copper to break through resistance at $1,330 a tonne for three months delivery.

COPPER initially extended this week's upward move and the three months price traded up to an 8½-month high of $1,981 a tonne before running into heavy overhead sales. By the close it was showing a loss of $5 on the day at $1,962.

London Commodity Exchange COFFEE futures closed with strong gains after opening at the highest levels since the dollar contract started three years ago. The May position opened $19 higher at $1,330 and quickly put on another $10 as the market sucked in a further surge of investment fund and trade buying.

Some traders said positive chart patterns now heralded further gains, initially targeting $1,400 a tonne and some even talking of $1,500.

COCOA had a quiet day, ending mostly lower despite a firm start.

Compiled from Reuter

# Ukraine's pits of despair

## Coal mining subsidies are helping to drive the economy further into the red, writes Jill Barshay

Ukraine's mighty and mythicised coal industry has sunk into utter decay and despair, bringing down the two-year old nation's economy with it.

The country has been pouring money into the Donbass coal mining region to save it – but that has only made matters worse. Ukraine's hyperinflation, 90 per cent in December, is largely caused by the massive subsidies needed to keep 262 coal mines operating and 1.2m coal workers employed (5 per cent of the labour force).

Employment in Ukraine's coal industry is no bed of roses, however. Four or five miners die for every 1m tonnes of coal produced, making it the most deadly in the world. And it pays the lowest mining wages in Europe – so low that many cross the border illegally to work in Russian mines at cut-price rates. But cheap labour does not mean that the industry offers good value for money to the nation as a whole – the Ukrainian miner produces only 5 per cent of the coal his European or North American counterpart does.

There is also an environmental cost, which extends beyond Ukraine's borders. The country's coal industry contributes 8 per cent (2.5bn cubic meters) of the worldwide emission of methane, a greenhouse gas associated with global warming.

At the time of independence in 1991 Ukrainians had banked on the rich coal reserves of the Don River basin to offset lost Russian energy imports and earn precious dollars abroad. Coal was to be a key asset of the Ukrainian state, rather than the drain on resources it is today.

The Kiev government spends trillions of its currency, the karbovanets, (hundreds of millions of US dollars) propping up loss-making coal mines. Last year the coal industry could only cover 20 per cent of its costs and the government had to make up the rest. This year subsidies have been reduced to 40 per cent, but still amount to $50m a month. Some coal pits are extremely profitable and could could be viable without state subsidies. But the government channels the proceeds from the profitable mines to the unprofitable.

At present the state takes 95 per cent of production at fixed prices, through the Soviet-style state order system, to satisfy about a quarter of Ukraine's energy needs. Only 5 per cent of production is left with the mines to sell at unregulated prices.

This arrangement leaves the successful mines with no money for technological improvements and investment. Everyone, from the Soviet factory boss, Deputy Prime Minister Valentin Landyk, to the coal strike committee chairman, agrees that the inefficient mines need to be closed down.

Even Zhenya, a 27 year-old miner at the Gorky pit in Donetsk, is under no illusions. "This pit should have been shut down years ago," he says. "They only keep it running so that we're employed. They're afraid of us."

The Gorky mine, nearly exhausted, is almost 1km below the ground. Extracting the coal from its thin layers is such a laborious process that its 860 miners only get 1,600 tonnes a day. (In Europe, where mining is fully mechanised, 660 workers take out over 65,000 tonnes of coal a day on average.) Many of the mines are negative value adders, meaning the below ground resources are worth more untouched than the value of the coal mined. "It would be cheaper to close down the mines, just pay workers their salaries and import coal from abroad," suggests one western official.

As in Europe and North America, closing down loss-making mines without mass unemployment is a daunting challenge for Ukraine's leaders. There is no political will to take action as no one wants to take responsibility for unemployment and the potential social unrest.

About 90 per cent of the coal industry is based in the densely-populated Donbass region of eastern Ukraine, where there is virtually no labour mobility. Kiev fears that sudden unemployment could cause a "social explosion", especially among a highly Russified population that is disenchanted with Ukrainian independence.

The government is also reluctant to challenge the powerful eastern coal mining lobby, which exploits the east-west tensions in the country. Ending coal subsidies could be portrayed as an anti-eastern move, fueling the popular perception in the east that Kiev is controlled by western-nationalist interests.

To close the pits without social unrest would require a long term retraining programme and development of new industries to hire workers. But Ukraine has no money for an ambitious, co-ordinated restructuring programme.

Meanwhile, the pits are in ruins. Wooden supports from Russia are rotting out – one of the chief causes of frequent pit collapses – as Ukraine cannot afford to import new ones. There has been no significant investment in the coal industry for over 10 years. Much mining is still done by hand.

One innovative, but long-term, solution for Donbass is to harness its methane, the natural gas that is now causing underground explosions and environmental destruction. There are 25.4 trillion cubic metres of methane in the Don Basin, enough to satisfy even Ukraine's inefficient energy consumption for over 250 years.

Though uneconomic at the moment, technological investment could make coal-bed methane extraction an energy production alternative in the future, while reducing Ukraine's 80 per cent reliance on natural gas imports from Russia and Turkmenistan.

## COMMODITIES PRICES

### BASE METALS

#### LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1314-6 | 1336-8 |
| Previous | 1291-2 | 1314.5-15.0 |
| High/low | - | 1343/1334 |
| AM Official | 1313-3.5 | 1335-5.5 |
| Kerb close | | 1336-9 |
| Open int. | 264,779 | |
| Total daily turnover | 72,233 | |

■ ALUMINIUM ALLOY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1275-80 | 1289-93 |
| Previous | 1230-5 | 1245-8 |
| High/low | | 1290/1265 |
| AM Official | 1260-70 | 1275-7 |
| Kerb close | | 1286-90 |
| Open int. | 4,454 | |
| Total daily turnover | 637 | |

■ LEAD ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 462-3 | 476-7 |
| Previous | 458-9 | 472-3 |
| High/low | 468.5 | 485/471 |
| AM Official | 468.5-9.0 | 483-3.5 |
| Kerb close | | 474-5 |
| Open int. | 34,900 | |
| Total daily turnover | 4,042 | |

■ NICKEL ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 5710-20 | 5770-80 |
| Previous | 5555-65 | 5620-30 |
| High/low | | 5830/5700 |
| AM Official | 5699-700 | 5764-6 |
| Kerb close | | 5775-80 |
| Open int. | 49,387 | |
| Total daily turnover | 14,238 | |

■ TIN ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 5615-20 | 5665-70 |
| Previous | 5430-40 | 5480-5 |
| High/low | | 5580/5540 |
| AM Official | 5500-5 | 5550-5 |
| Kerb close | | 5550-5 |
| Open int. | 19,765 | |
| Total daily turnover | 4,635 | |

■ ZINC, special high grade ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 943-4 | 962-3 |
| Previous | 931-2 | 950-1 |
| High/low | | 968/961 |
| AM Official | 948-8.5 | 966.5-7.0 |
| Kerb close | | 964-5 |
| Open int. | 106,309 | |
| Total daily turnover | 15,432 | |

■ COPPER, grade A ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1956-7 | 1965-6 |
| Previous | 1943-5 | 1956-7 |
| High/low | 1960/1959 | 1985/1954 |
| AM Official | 1959.5-6.0 | 1967.5-6.0 |
| Kerb close | | 1962-3 |
| Open int. | 227,308 | |
| Total daily turnover | 92,510 | |

■ LME AM Official £/$ rate: 1.4973

LME Closing £/$ rate: N/A

Spot:1.4945 3 mths:1.4899 6 mths:1.4870 9 mths:1.4844

■ HIGH GRADE COPPER (COMEX)

| | Close | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Mar | 92.00 | -1.50 | 92.90 | 91.80 | 3,083 | 868 |
| Apr | 91.95 | -1.35 | 92.60 | 91.00 | 1,154 | 10 |
| May | 91.80 | -1.35 | 92.70 | 91.70 | 41,694 | 9,774 |
| Jun | 91.10 | -1.55 | 91.70 | 91.10 | 845 | 2 |
| Jul | 91.00 | -1.25 | 91.75 | 90.80 | 11,067 | 1,153 |
| Aug | 90.70 | -1.40 | 91.35 | 90.70 | 408 | - |
| Total | | | | | 89,009 | 11,735 |

### PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

| Gold (Troy oz.) | $ price | £ equiv. |
|---|---|---|
| Close | 383.00-383.30 | |
| Opening | 383.80-384.20 | |
| Morning fix | 383.00 | 256.479 |
| Afternoon fix | 383.40 | 255.656 |
| Day's High | 384.50-385.00 | |
| Day's Low | 382.60-383.00 | |
| Previous close | 385.70-386.10 | |

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ............3.21 6 months ............3.47

2 months ............3.28 12 months ............3.72

3 months ............3.33

| Silver Fix | p/troy oz. | US cts equiv. |
|---|---|---|
| Spot | 359.00 | 536.00 |
| 3 months | 363.50 | 540.95 |
| 6 months | 367.85 | 546.40 |
| 1 year | 376.90 | 558.80 |

| Gold Coins | $ price | £ equiv. |
|---|---|---|
| Krugerrand | 385-388 | 258-261 |
| Maple Leaf | 394.10-396.55 | |
| New Sovereign | 92-95 | 64-67 |

### Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Mar | 382.4 | -2.5 | | | | |
| Apr | 383.0 | -2.6 | 384.4 | 382.7 | 59,933 | 18,601 |
| May | 384.1 | -2.6 | | | | |
| Jun | 385.3 | -2.6 | 386.7 | 385.0 | 37,167 | 4,797 |
| Aug | 387.7 | -2.6 | 389.0 | 387.5 | 7,506 | 72 |
| Oct | 390.2 | -2.8 | 391.4 | 390.9 | 4,270 | 118 |
| Total | | | | | 142,628 | 24,502 |

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Apr | 398.5 | -4.9 | 403.0 | 397.5 | 10,608 | 1,517 |
| Jul | 399.2 | -5.2 | 403.5 | 398.0 | 9,965 | 328 |
| Oct | 399.7 | -5.2 | 403.5 | 399.7 | 1,162 | 16 |
| Jan | 400.1 | -5.2 | 404.0 | 400.1 | 563 | 4 |
| Apr | 401.2 | -5.2 | 404.3 | 401.2 | 620 | 11 |
| Total | | | | | 22,918 | 1,876 |

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Mar | 133.75 | -0.25 | - | - | 14 | 1 |
| Jun | 133.50 | -0.25 | 134.00 | 133.00 | 4,123 | 265 |
| Sep | 133.20 | -0.25 | - | - | 398 | 1 |
| Dec | 132.70 | -0.25 | - | - | 181 | - |
| Total | | | | | 4,716 | 267 |

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Mar | 535.4 | -2.3 | 537.0 | 534.0 | 1,337 | 176 |
| Apr | 535.7 | -2.5 | - | - | 18 | - |
| May | 537.7 | -2.5 | 540.5 | 536.0 | 71,533 | 13,846 |
| Jul | 541.5 | -2.6 | 544.5 | 540.0 | 17,861 | 785 |
| Sep | 545.6 | -2.7 | 548.0 | 545.0 | 4,712 | 30 |
| Dec | 551.8 | -2.8 | 554.0 | 550.0 | 9,237 | 657 |
| Total | | | | | N/A | 16,510 |

### ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

| | Latest price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Apr | 14.98 | -0.08 | 15.09 | 14.92 | 57,390 | 33,764 |
| May | 14.96 | -0.07 | 15.07 | 14.81 | 92,276 | 43,892 |
| Jun | 15.04 | -0.08 | 15.11 | 14.97 | 72,415 | 18,508 |
| Jul | 15.15 | -0.08 | 15.20 | 15.10 | 32,415 | 8,564 |
| Aug | 15.25 | -0.09 | 15.27 | 15.22 | 16,846 | 3,186 |
| Sep | 15.36 | -0.10 | 15.42 | 15.34 | 18,884 | 2,813 |
| Total | | | | | 430,022 | 119,339 |

■ CRUDE OIL IPE ($/barrel)

| | Latest price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| May | 13.76 | -0.36 | 13.81 | 13.69 | 70,304 | 6,997 |
| Jun | 13.74 | -0.08 | 13.80 | 13.70 | 21,609 | 32,067 |
| Jul | 13.86 | +0.05 | 13.90 | 13.80 | 14,129 | 8,998 |
| Aug | 13.98 | +0.10 | 14.00 | 13.91 | 8,796 | 2,844 |
| Sep | 14.07 | +0.17 | 14.08 | 14.02 | 4,108 | 909 |
| Oct | 14.20 | +0.15 | 14.20 | - | 1,842 | 169 |
| Total | | | | | 124,921 | 53,685 |

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Apr | 44.60 | +0.13 | 44.70 | 44.10 | 36,344 | 14,963 |
| May | 43.45 | -0.09 | 43.75 | 43.20 | 50,068 | 8,233 |
| Jun | 43.45 | -0.15 | 43.60 | 43.35 | 34,286 | 4,301 |
| Jul | 44.05 | -0.10 | 44.25 | 43.90 | 22,386 | 3,381 |
| Aug | 44.75 | -0.25 | 44.75 | 44.65 | 9,439 | 603 |
| Sep | 45.80 | -0.20 | 45.80 | 45.75 | 8,017 | 706 |
| Total | | | | | 199,876 | 35,123 |

■ GAS OIL IPE ($/tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Apr | 138.25 | +1.00 | 138.75 | 138.00 | 29,544 | 3,310 |
| May | 137.50 | +1.00 | 138.00 | 137.00 | 16,722 | 2,220 |
| Jun | 138.00 | +1.00 | 138.50 | 137.50 | 18,403 | 1,323 |
| Jul | 139.75 | +1.25 | 139.75 | 139.50 | 12,808 | 841 |
| Aug | 141.75 | +1.25 | 141.75 | 141.00 | 5,606 | 124 |
| Sep | 143.75 | +1.00 | 143.75 | 143.50 | 3,331 | 101 |
| Total | | | | | 108,715 | 8,208 |

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

| | Latest price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Apr | 2.120 | -0.043 | 2.135 | 2.105 | 15,831 | 10,447 |
| May | 2.165 | -0.027 | 2.170 | 2.145 | 14,317 | 3,157 |
| Jun | 2.156 | -0.022 | 2.165 | 2.145 | 9,840 | 898 |
| Jul | 2.165 | -0.015 | 2.155 | 2.140 | 8,999 | 1,206 |
| Aug | 2.180 | -0.017 | 2.160 | 2.180 | 9,717 | 850 |
| Sep | 2.180 | -0.017 | 2.185 | 2.175 | 10,463 | 798 |
| Total | | | | | 122,589 | 19,736 |

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Apr | 46.30 | -0.25 | 46.70 | 46.05 | 28,222 | 19,166 |
| May | 46.75 | -0.27 | 47.15 | 46.60 | 45,733 | 8,718 |
| Jun | 47.05 | -0.20 | 47.35 | 46.90 | 22,130 | 3,041 |
| Jul | 47.00 | -0.15 | 47.15 | 46.90 | 7,671 | 943 |
| Aug | 46.70 | -0.25 | 47.10 | 46.60 | 6,709 | 399 |
| Sep | 46.25 | -0.33 | 46.70 | 46.20 | 3,947 | 158 |
| Total | | | | | 118,158 | 32,466 |

### GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Mar | 104.70 | +0.05 | 104.70 | 104.40 | 37 | 10 |
| May | 105.95 | -0.15 | 105.95 | 105.50 | 1,483 | 64 |
| Jun | 106.50 | -0.10 | 106.50 | 106.20 | 523 | 31 |
| Sep | 93.20 | +0.30 | 93.30 | 92.75 | 282 | 39 |
| Nov | 94.00 | +0.25 | 94.00 | 93.50 | 1,081 | 155 |
| Jan | 95.85 | +0.20 | 95.85 | 95.50 | 586 | 10 |
| Total | | | | | 4,061 | 312 |

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Mar | 337/4 | +1/2 | 339/4 | 337/0 | 1,660 | 1,060 |
| May | 341/6 | -0/4 | 343/6 | 341/0 | 81,590 | 18,945 |
| Jul | 328/6 | -0/6 | 329/6 | 327/4 | 98,715 | 22,015 |
| Sep | 330/0 | -0/4 | 331/2 | 329/4 | 17,820 | 1,455 |
| Dec | 339/0 | -1/0 | 339/0 | 337/6 | 22,290 | 1,260 |
| Mar | 340/0 | -1/0 | 340/0 | 339/0 | 20 | 10 |
| Total | | | | | 223,870 | 44,765 |

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Mar | 279/6 | - | 280/4 | 279/2 | 8,120 | 9,446 |
| May | 286/0 | -0/2 | 287/0 | 285/4 | 392,385 | 136,015 |
| Jul | 290/0 | -0/2 | 290/6 | 289/4 | 380,180 | 74,705 |
| Sep | 278/4 | - | 278/6 | 277/6 | 132,375 | 12,130 |
| Dec | 285/4 | +0/6 | 285/6 | 284/2 | 297,065 | 37,180 |
| Mar | 271/2 | +0/6 | 271/4 | 270/4 | 19,155 | 1,850 |
| Total | | | | | 1,241,184 | 273,290 |

■ BARLEY LCE (£ per tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Mar | 104.65 | -0.45 | - | - | 34 | - |
| May | 105.00 | -0.10 | - | - | 186 | - |
| Sep | 93.65 | - | - | - | 139 | - |
| Nov | 95.35 | - | 95.35 | 95.35 | 86 | 3 |
| Jan | 96.65 | - | - | - | 13 | - |
| May | 97.00 | - | - | - | - | - |
| Total | | | | | 458 | 3 |

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Mar | 690/2 | -1/6 | 692/4 | 689/4 | 5,275 | 2,890 |
| May | 691/4 | -3/0 | 695/0 | 691/0 | 306,050 | 184,085 |
| Jul | 692/4 | -2/6 | 695/6 | 692/0 | 234,275 | 57,160 |
| Aug | 684/6 | -2/6 | 687/6 | 684/4 | 37,920 | 4,475 |
| Sep | 667/0 | -3/2 | 670/0 | 667/0 | 18,910 | 2,110 |
| Nov | 653/6 | -3/0 | 657/0 | 653/4 | 152,565 | 33,400 |
| Total | | | | | 776,865 | 285,895 |

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Mar | 28.95 | -0.18 | 29.23 | 28.93 | 1,457 | 720 |
| May | 28.86 | -0.19 | 29.18 | 28.82 | 34,803 | 12,727 |
| Jul | 28.77 | -0.21 | 29.08 | 28.71 | 26,812 | 7,425 |
| Aug | 28.33 | -0.22 | 28.60 | 28.27 | 8,074 | 535 |
| Sep | 27.80 | -0.31 | 28.18 | 27.75 | 8,085 | 653 |
| Oct | 27.05 | -0.08 | 27.28 | 27.05 | 5,798 | 781 |
| Total | | | | | 86,531 | 24,587 |

■ SOYABEAN MEAL CBT (100 tons; $/ton)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Mar | 194.6 | -1.0 | 195.5 | 194.3 | 1,341 | 947 |
| May | 196.5 | -0.6 | 197.2 | 196.1 | 28,195 | 8,215 |
| Jul | 197.3 | -0.4 | 198.0 | 195.9 | 24,870 | 4,116 |
| Aug | 196.1 | -0.6 | 196.6 | 196.0 | 6,664 | 264 |
| Sep | 194.5 | -0.3 | 195.3 | 194.2 | 5,396 | 368 |
| Oct | 192.2 | -0.4 | 192.7 | 192.2 | 8,431 | 121 |
| Total | | | | | 80,097 | 15,230 |

■ POTATOES LCE (£/tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Apr | 178.3 | -4.2 | 181.0 | 175.0 | 691 | 10 |
| May | 196.3 | -7.2 | 202.5 | 191.0 | 524 | 31 |
| Jun | 130.0 | - | - | - | 2 | - |
| Nov | 80.0 | - | - | - | - | - |
| Mar | 105.0 | - | - | - | - | - |
| Apr | 128.3 | -1.5 | 128.3 | 125.0 | - | 17 |
| Total | | | | | 1,441 | 67 |

■ FREIGHT (BIFFEX) LCE ($10/index point)

[illegible]

WOOL

[illegible]

### SOFTS

■ COCOA LCE (£/tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Mar | 947 | -2 | 955 | 947 | 238 | 105 |
| May | 961 | +5 | 976 | 961 | 23,448 | 1,809 |
| Jul | 973 | -4 | 985 | 972 | 15,844 | 1,048 |
| Sep | 985 | -2 | 995 | 985 | 11,086 | 374 |
| Dec | 998 | -2 | 1008 | 995 | 17,885 | 2,326 |
| Mar | 1013 | -1 | 1023 | 1012 | 23,285 | 515 |
| Total | | | | | 107,718 | 6,333 |

■ COCOA CSCE (10 tonnes; $/tonnes)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| May | 1215 | -27 | 1249 | 1214 | 120 | 126 |
| Jul | 1240 | -30 | 1275 | 1240 | 41,538 | 5,361 |
| Sep | 1263 | -28 | 1294 | 1263 | 18,990 | 1,376 |
| Dec | 1289 | -24 | 1325 | 1289 | 8,081 | 253 |
| Mar | 1332 | -24 | - | - | 8,552 | 127 |
| May | 1352 | -24 | 1378 | 1352 | 9,658 | 257 |
| Total | | | | | 95,598 | 7,548 |

■ COCOA (ICCO) (SDR's/tonne)

| Mar 17 | Price | Prev. day |
|---|---|---|
| Daily | 968.68 | 972.74 |
| Mar 18 | | |
| 10 day average | 935.33 | 928.70 |

■ COFFEE LCE ($/tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Mar | 1324 | +25 | - | - | 341 | - |
| May | 1333 | +23 | 1340 | 1325 | 17,026 | 1,842 |
| Jul | 1335 | +22 | 1340 | 1328 | 11,383 | 2,381 |
| Sep | 1333 | +23 | 1335 | 1325 | 5,798 | 727 |
| Nov | 1326 | +17 | 1333 | 1325 | 2,702 | 288 |
| Jan | 1328 | +21 | - | - | 5,041 | - |
| Total | | | | | 44,042 | 4,819 |

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Mar | 80.50 | -0.30 | 81.10 | 80.35 | 129 | 38 |
| May | 82.10 | -0.20 | 82.65 | 81.55 | 53,128 | 11,275 |
| Jul | 83.45 | -0.15 | 83.95 | 82.95 | 10,331 | 2,436 |
| Sep | 84.55 | -0.30 | 85.00 | 84.50 | 5,548 | 258 |
| Dec | 85.55 | -0.70 | 86.20 | 85.10 | 3,840 | 77 |
| Mar | 86.35 | -0.65 | 87.20 | 86.35 | 1,103 | 10 |
| Total | | | | | 58,034 | 14,112 |

■ COFFEE (ICO) (US cents/pound)

| Mar 17 | Price | Prev. day |
|---|---|---|
| Comp. daily | 76.94 | 76.79 |
| 15 day average | 74.25 | 74.02 |

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| May | 12.30 | -0.04 | 12.35 | - | 1,268 | 10 |
| Jul | 12.07 | +0.01 | - | - | 2,738 | - |
| Oct | 12.09 | -0.01 | - | - | 145 | - |
| Jan | 12.04 | -0.01 | - | - | - | - |
| Total | | | | | 4,151 | 10 |

■ WHITE SUGAR LCE ($/tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| May | 333.80 | -0.30 | 334.00 | 332.00 | 7,711 | 604 |
| Aug | 329.30 | +0.30 | 330.00 | 327.90 | 5,486 | 910 |
| Oct | 309.80 | +0.80 | 310.00 | 308.50 | 4,033 | 207 |
| Dec | 306.20 | +0.70 | - | - | 117 | - |
| Mar | 304.90 | +1.00 | 304.00 | 303.50 | 416 | 25 |
| May | 308.00 | -0.10 | - | - | 202 | - |
| Total | | | | | 18,180 | 2,055 |

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| May | 12.14 | -0.03 | 12.19 | 12.10 | 83,253 | 7,083 |
| Jul | 12.31 | +0.02 | 12.32 | 12.27 | 34,330 | 2,640 |
| Oct | 11.78 | -0.05 | 11.83 | 11.74 | 29,541 | 1,703 |
| Mar | 11.30 | -0.06 | 11.40 | 11.28 | 12,167 | 469 |
| May | 11.28 | -0.05 | 11.34 | 11.28 | 1,706 | 80 |
| Jul | 11.23 | -0.08 | 11.30 | 11.23 | 1,010 | 32 |
| Total | | | | | 142,436 | 12,617 |

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

VOLUME DATA

[illegible]

### INDICES

■ REUTERS (Base: 18/9/31=100)

[illegible]

■ CRB Futures (Base: 4/9/56=100)

[illegible]

### MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Apr | 76.475 | +0.100 | 76.800 | 76.150 | 38,257 | 5,382 |
| Jun | 74.375 | +0.200 | 74.400 | 74.000 | 23,712 | 2,769 |
| Aug | 72.875 | +0.050 | 72.925 | 72.725 | 12,159 | 882 |
| Oct | 74.000 | +0.175 | 74.075 | 73.750 | 9,308 | 1,235 |
| Dec | 74.150 | +0.125 | 74.250 | 73.900 | 2,603 | 252 |
| Feb | 74.000 | +0.325 | 74.200 | 73.750 | 869 | 18 |
| Total | | | | | 84,817 | 10,667 |

■ LIVE HOGS CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Apr | 46.500 | -0.475 | 46.850 | 46.350 | 8,439 | 2,497 |
| Jun | 53.025 | -0.450 | 53.475 | 52.800 | 10,958 | 1,534 |
| Jul | 52.525 | -0.450 | 52.850 | 52.400 | 3,377 | 874 |
| Aug | 51.000 | -0.025 | 51.400 | 50.850 | 2,758 | 309 |
| Oct | 47.275 | -0.525 | 47.700 | 47.225 | 1,759 | 117 |
| Dec | 48.200 | -0.575 | 48.800 | 48.050 | 1,827 | 345 |
| Total | | | | | 30,471 | 5,376 |

■ PORK BELLIES CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Mar | 54.800 | -0.850 | 54.400 | 53.825 | 137 | 9 |
| May | 55.150 | -0.525 | 55.600 | 54.850 | 6,311 | 1,801 |
| Jul | 55.475 | -0.500 | 55.800 | 55.100 | 2,910 | 470 |
| Aug | 53.225 | -0.425 | 53.700 | 52.850 | 541 | 105 |
| Feb | 58.550 | -0.850 | 59.000 | 58.500 | 54 | 26 |
| Mar | 58.350 | - | - | - | 3 | 1 |
| Total | | | | | 9,984 | 2,211 |

### LONDON TRADED OPTIONS

| Strike price $ tonne | Calls | | Puts | |
|---|---|---|---|---|
| ■ ALUMINIUM (99.7%) LME | May | Aug | May | Aug |
| 1300 | 56 | 87 | 21 | 36 |
| 1325 | 41 | 73 | 32 | 46 |
| 1350 | 30 | 60 | 45 | 58 |
| ■ COPPER (Grade A) LME | May | Aug | May | Aug |
| 1900 | 97 | 114 | 21 | 46 |
| 1950 | 56 | 86 | 40 | 67 |
| 2000 | 33 | 63 | 67 | 93 |
| ■ COFFEE LCE | May | Jul | May | Jul |
| 1250 | 93 | 115 | 10 | 30 |
| 1300 | 58 | 84 | 25 | 49 |
| 1350 | 32 | 59 | 49 | 74 |
| ■ COCOA LCE | May | Jul | May | Jul |
| 925 | 46 | 78 | 12 | 28 |
| 950 | 33 | 61 | 22 | 38 |
| 975 | 21 | 48 | 35 | 50 |
| ■ BRENT CRUDE IPE | May | Jun | May | Jun |
| 1350 | 62 | 118 | 22 | 40 |
| 1400 | 39 | - | 39 | 39 |
| 1450 | 18 | 53 | - | - |

### LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/May)

| | | +or- |
|---|---|---|
| Dubai | $12.65-2.72w | +0.105 |
| Brent Blend (dated) | $14.24-4.28 | +0.07 |
| Brent Blend (May) | $13.74-3.78 | +0.115 |
| W.T.I. (1pm est) | $14.97-4.99w | +0.23 |

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

| | | |
|---|---|---|
| Premium Gasoline | $153-155 | |
| Gas Oil | $140-141 | +1 |
| Heavy Fuel Oil | $73-75 | |
| Naphtha | $132-134 | |
| Jet Fuel | $159-161 | +1 |

Petroleum Argus Estimates

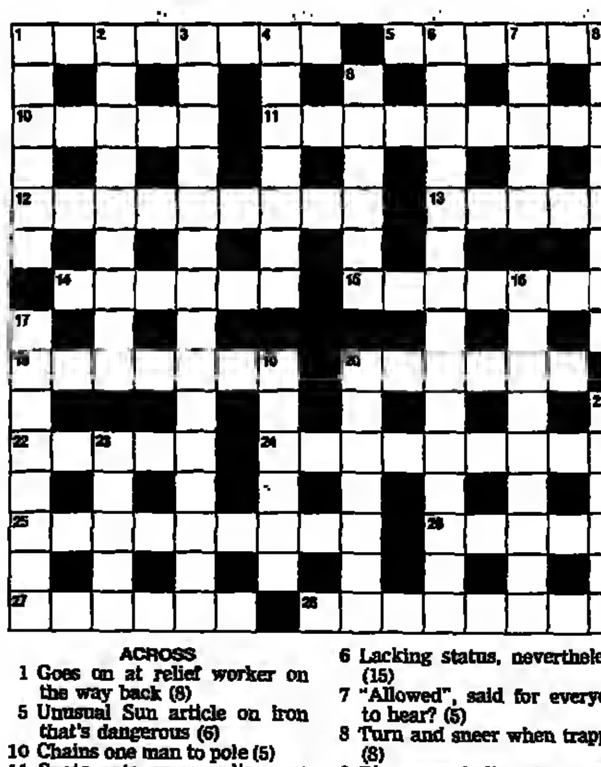
■ OTHER

| | | |
|---|---|---|
| Gold (per troy oz)♣ | $383.15 | -2.75 |
| Silver (per troy oz)♣ | 534.5c | -8.00 |
| Platinum (per troy oz.) | $398.85 | -2.40 |
| Palladium (per troy oz.) | $132.75 | -0.50 |
| Copper (US prod.) | 97.00c | +1.00 |
| Lead (US prod.) | 36.13c | |
| Tin (Kuala Lumpur) | 14.31r | +0.23 |
| Tin (New York) | 254.50c | |
| Zinc (US Prime W.) | Unq. | |
| Cattle (live weight)† | 130.73p | +1.82* |
| Sheep (live weight)†♠ | 140.03p | +14.22* |
| Pigs (live weight) | 77.31p | -4.89* |
| Lon. day sugar (raw) | $294.00 | +0.70 |
| Lon. day sugar (wte) | $338.50 | |
| Tate & Lyle export | £309.00 | -1.00 |
| Barley (Eng. feed) | Unq | |
| Maize (US No3 Yellow) | Unq | |
| Wheat (US Dark North) | £180.0x | |
| Rubber (Apr)♥ | 88.50p | +0.50 |
| Rubber (May)♥ | 89.00p | +0.50 |
| Rubber (KL RSS No1 Apr) | 247.50m | +1.00 |
| Coconut Oil (Phil)§ | $535.0x | |
| Palm Oil (Malay.)§ | $400.0v | |
| Copra (Phil)§ | $343.0 | +5.0 |
| Soyabeans (US) | £194.0w | +1.0 |
| Cotton Outlook A index | 80.50c | |
| Wooltops (64s Super) | 389p | |

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. v Apr w May. † May/Jun. x Apr/May. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

## CROSSWORD

No.8,407 Set by GRIFFIN



ACROSS

1 Goes on at relief worker on the way back (8)

5 Unusual Sun article on iron that's dangerous (6)

10 Chains one man to pole (5)

11 Spots cats surrounding cat after ball (9)

12 Dispenser with cold has to nip out (4,5)

13 Alight second, going back here (5)

14 Are given food outside, being respected (6)

16 Two points he can possibly add to (7)

18 Proclaim "time" with spirit, darling! (7)

20 At home Bill races round uninjured (6)

22 Barker's firm rebuilt rig (5)

24 Thanks to natural evolution finds spider (9)

25 Material produced by college then on Eastbourne front (9)

26 Private hotel about to make a comeback (5)

27 Harangues as traffic island's first to be introduced (6)

28 Remarkable new gun is left by retreating gunners (8)

DOWN

1 A sandwich each (6)

2 Bride's outfit free to a US user (9)

3 Is fitting the managing director found outside stolen? (15)

4 Bound to include everything which matched (7)

6 Lacking status, nevertheless? (15)

7 "Allowed", said for everyone to hear? (5)

8 Turn and sneer when trapped (8)

9 Di removed disc they reproduced for an old grass-cutter (6)

16 Prisoner turned up to go on a lake nightly (9)

17 Keep top up on broth container (8)

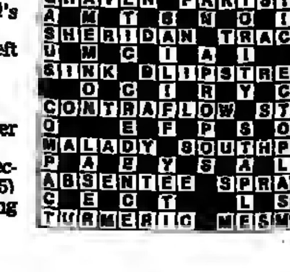
18 Stagger a rag-and-bone man (6)

20 National airs arranged by priest (7)

21 It's just the Queen that's more beautiful! (6)

23 Which measures direction on river (5)

Solution 8,406



JOTTER PAD

# LONDON STOCK EXCHANGE

MARKET REPORT

## Gains trimmed at close of a nervous session

By Terry Byland,
UK Stock Market Editor

Another nervous session in UK equities saw early confidence challenged in the final hour of trading when both government bonds and stock index futures ran into selling pressure. Securities markets accepted with good grace the Bundesbank's decision to keep its key interest rates unchanged, and et first responded well to favourable indications on US inflation from the Philadelphia Reserve Board. But the readiness of investors to sell into s brief advance in gilt-edged securities seemed to disclose underlying nervousness over interest rates.

The final reading showed the FT-SE 100 Index et 3,255.7 for a gain of 12.8 oo the day. The market peaked at Footsie 3,262.9 just before the announcement from the Bundesbank, and came back smartly for e while as it digested the decision of the German central bank to leave both the Lombard and discount rates unchanged – as well as giving no information on the next repo tender.

Few analysts had counted seriously on any reduction in German discount rate, while any change in the Lombard rate would have been of largely cosmetic significance. Consequently, share prices soon steadied in London and began to move higher again as Wall Street responded favourably to the news from the Philadelphie Reserve Board.

The Dow Jones Industrial Average lost its early gain, however, to show little change from overnight when London closed down for the day. More importantly, UK bonds turned down and quickly showed thet they still have the power to upset the stock market.

Traders stressed that the pressures associated with the expiry this morning of the FT-SE 100 Index March contract were affecting share prices last night. The FT-SE Mid 250 Index, unaffected by expiry considerations, slipped 3.8 to 3,886.6. Seaq volume remained fairly high, at 659.4m shares; on Wednesday, 625.5m shares were traded through the Seaq electronic network, returning a retail, or customer, value of £1.46bn.

Company news continued to provide many individual features but gave less guide to the market as a whole. Reuters, the global business information group, improved on the news that it has revised its Globex contract with the Chicago Mercantile Exchange. But the early gain to the shares was later reduced.

The Footsie was helped by firmness in the pharmaceuticals, as well as by indications of a strengthening market for oil shares. Good trading volumes in equities continued to indicate that the institutions are not net sellers of UK shares but are busy reshuffling portfolios in response to the sharp rise to yields in the bond markets. Dividend-yielding stocks found buyers again, with Schroders, the London merchant bank, again providing a good lead for the financial sectors.

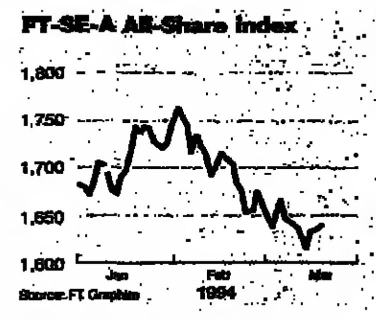
With the Bundesbank now unlikely to make any definitive move on interest rates for a month, attention is expected to refocus on the US Federal Reserve, which is still expected to tighten credit policy. UK equities have shown this week that they are still highly vulnerable to moves in the London bond markets.

However, the stock market is expected to be preoccupied today with the effects of the futures settlements on both sides of the Atlantic. In London, there were signs that futures traders appeared unwilling to extend positions into the June contract on the FT-SE 100 Index.

| Account Dealing Dates | | | |
|---|---|---|---|
| *First Dealings: Feb 28 | Mar 14 | Mar 28 | |
| Option Declarations: Mar 10 | Mar 24 | Apr 7 | |
| Last Dealings: Mar 11 | Mar 25 | Apr 8 | |
| Account Day: Mar 21 | Apr 5 | Apr 18 | |

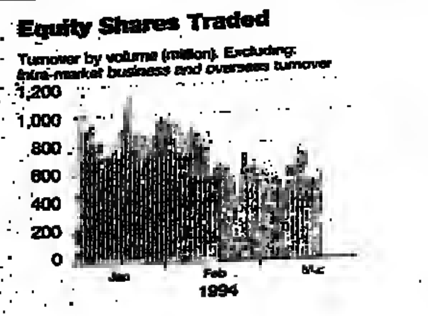
*New time dealings may take place from two business days earlier.

FT-SE-A All-Share Index




Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover




■ Key Indicators

| Indices and ratios | | |
|---|---|---|
| FT-SE 100 | 3255.7 | +12.8 |
| FT-SE Mid 250 | 3886.6 | -3.8 |
| FT-SE-A 350 | 1649.4 | +4.8 |
| FT-SE-A All-Share | 1640.76 | +4.24 |
| FT-SE-A All-Share yield | 3.53 | (3.53) |
| FT Ordinary index | 2566.3 | +13.5 |
| FT-SE-A Non Fins p/e | 21.78 | (21.74) |
| FT-SE100 Fut Mar | 3247.0 | +9.0 |
| 10 yr Gilt yield | 7.25 | (7.18) |
| Long gilt/equity yld ratio: | 2.19 | (2.17) |

| Best performing sectors | |
|---|---|
| 1 Life Assurance | +1.8 |
| 2 Pharmaceuticals | +1.8 |
| 3 Oil, Integrated | +1.5 |
| 4 Mineral Extraction | +1.3 |
| 5 Chemicals | +1.0 |

| Worst performing sectors | |
|---|---|
| 1 Spirits, Wines, Ciders | -1.3 |
| 2 Tobacco | -0.9 |
| 3 Water | -0.8 |
| 4 Media | -0.6 |
| 5 Other Services & Bans | -0.5 |

## Guinness slides on results

Interoational drinks gronp Guinness was the worst performer in the FT-SE 100 stocks yesterday as it reported dull results undermined by eliding margins and continued tough trading. The shares retreated 18 to 484p oo turnover of 10m.

Although profits came in line with expectations – the company gave a good indication following its restructuring with French group LVMH in January – some market specialists were disgruntled by two exceptional items of £17m which they felt slightly flattered the beadline figure. The 9 per cent drop in operating profits at United Distillers also disappointed some, as did the retreat in Spain.

Kleinwort Benson said the poor figures pointed to another year of earnings decline, with little in the way of optimism for 1995. The broker, which has reduced its profits forecast by £15m to £925m, has the stock as a long-term hold but believes further weakness is likely in the short term.

NatWest Securities disagreed, pencilling to 7 per cent earnings growth this year after taking into account the recent restructuring with LVMH, and with a profits forecast virtually unchanged et £935m. The broker pointed out that Guinness'a key markets – the US, UK and Japan – have bottomed out.

### Reed tumbles

Magazine publisher Reed fell heevily as full-year figures were accompanied by e disappointing statement. The shares ended the day 27 lower at 878p on exceptionally heavy volume of 4m and the Dutch arm Elsevier fell 2.4 per cent.

The market focused on cautious comments concerning the pick-up in the price of raw materials and the difficulty of raising the price of the end product in a period of low inflation. Smith New Court, which had e top of the range forecast of £628m for the combined group's 1994 figures, trimmed by £10m and argued thet the rating was up with events to the short term.

However, like many analysts, it felt the market had reacted badly to the statement; Ms Chris Munro of Hoare Govett pointed out that Reed had already made allowances for the paper and print rises by locking in costs.

Meanwhile, the squeeze from suppliers was signalled by confidence from Arjo Wiggins Appleton. Profits of £122.1m were at the low end of forecasts. But analysts raised estimates to around £175m for 1994 on the belief that paper price rises of between 4 and 5 per cent in January were sticking. The shares jumped 13 to 302p.

Relief that figures from United Biscuits were not as bad as some had feared helped to lift the shares 11 to 349p on turnover of 5.5m. Speculation of poor trading, particularly at US subsidiary Keebler, had dogged the stock in recent weeks, a situation undermined by large provisions made recently by other food manufacturing groups.

UB made a £110m provision, mostly against Keebler, although this was offset to some extent by a good performance by the snack foods business outside the UK. In spite of this, some analysts continue to fret over the US business, although others took a more optimistic view. "They have bitten the bullet on Keebler," was the view of one.

Keen jockeying ahead of next week's Opec meeting and strong oil stock performance overnight in the US, pumped up activity in the sector. Two camps – one believing the weak oil price is about to go up, the other fearing it has further to fall – made for heavy turnover with much interest focused on BP whose price added 9 at 369p with 12m shares changing hands.

Turnover of Enterprise soared to 9.1m, after a chunk of 3.5m shares was placed in the market at 408½p late in the session. Enterprise closed et 413p, up 2.

Fears over its treasury operations in Hong Kong and Asia knocked 15 from the price of HSBC which ended at 824p. The bank announced a change in its treasury operations, but rumours that it would reveal losses had gripped earlier trading.

A sharp improvement in profits for Legal & General saw the life insurer's shares rise 8 to 610p. Legals announced a full-year profits of £181m against £116.1m last time.

Reuters recovered 13 to 2021p after the group said it would meet with the Chicago Board of Trade to iron out a dispute over Globex, Reuters after-hours electronic trading system for futures and options.

Conglomerate Hanson gained 4¼ to 2834p in active trade of some 14m shares as the company held a presentation in London to analysts and institutions and announced its intention to expand into the Pacific Rim.

Buying in the US on Wednesday night lifted the London price of some leading stocks. Glaxo, which has underperformed the market recently lifted 14 to 690p, while ICI gained 12 to 787p.

Engineering group Lucas Industries shrugged off recent weakness after Henderson Crosthwaite issued a buy circular on the stock ahead of Monday's interim figures. The shares gained 6 to 215p on volume of 2.2m.

Car repair group Kwik-Fit jumped 11 ahead to 167½p, after a 49 per cent increase in full-year figures.

Metals group Johnson Matthey hardened 3 to 571p after announcing up a joint venture with industrial materials company Cookson Group. The latter, a strong performer in recent sessions, relinquished 2 to 281p, on profit-taking.

Figures from environmental services company Rentokil Group fell below market expectations leaving the shares trailing 8 to 249p as several brokers downgraded profit estimates.

### Other Big moves

USM-listed Learmonth and Burchett Management Systems slumped 44 to 96p after announcing that difficult trading conditions meant group results for the year to April were likely to fall "well short" of market forecasts.

Advertising group Gold Greenlees Trott dropped 55 to 184p on its second profits warning in six months. It said it was unlikely to make more than £2m in the year to April and would therefore cut the total dividend to 5.3p a share from 8.3p last time.

Regional newspaper group Midland Independent saw its shares make a sparkling debut as they opened at a 25p premium to their flotation price of 140p. They continued to rise throughout the day and closed at 172p with nearly 24m traded, the heaviest turnover on the London stock market.

New issue Israel Fund, a closed end investment trust concentrating on Israeli companies, made a successful start with a hefty turnover of 13m. The shares that traded with a warrant attached to every five rose from 82.4 to 86 cents.

MARKET REPORTERS:
Christopher Price, Joel Kibazo, Peter John, Christine Buckley.

■ Other statistics, Page 22

## NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS (88).

BUILDING & CNSTRN (1) Bett Bros., BLDG MATLS & MCHTS (3) Grafton, Kingspan, Shaw (A), CHEMICALS (2) Porvair, Wolstenholme Rink, DISTRIBUTORS (2) Headlam, Sanderson Bramall, DIVERSIFIED INDLS (2) Kvaerner B. TT, ELECTRNC & ELECT EQUP (10) ASEA B, Forward Technology Inds., Fujitsu, MTL Instrs., Mitsubishi, Motorola, NEC, Nokia Corp Prf., Philips, Toshiba, ENGINEERING (3) Brooks Tool, Renold, Wagon Ind'l. 7¼ Pf., ENG. VEHICLES (1) Abbey Panels, EXTRACTIVE INDS (3) Anglo Amer. Coal, Int'l. Mosto, NSM, FOOD MANUF (1) Golden Vale, INSURANCE (1) Trade Indemnity, INVESTMENT TRUSTS (4) Berry Starquest, EFM Income, Gartmore Value Zero Prf., M & G Recovery Cap., LEISURE & HOTELS (4) Crockfords, Manchester Utd., Parkdean, Vardon, MEDIA (2) Hodder Headline, Holmes Marchant, MERCHANT BANKS (1) Rea Bros., OIL EXPLORATION & PROD (1) OGC, PRTNG, PAPER & PACKG (3) Arjo Wiggins Appleton, De La Rue, Sappi, PROPERTY (1) Rowlinson, RETAILERS, GENERAL (4) Oliver, Rosebys, Signet 6¼p Pf., Sothebys, SUPPORT SERVS (4) CRT, Computer People, Kalamazoo, Manpower Inc., TELECOMMUNICATIONS (1) GN Great Nordic, TRANSPORT (1) Bergesen, AMERICANS (2) Gillette, Lowe's, CANADIANS (1) Rio Algom.

NEW LOWS (13).

GILTS (4) BREWERIES (1) Greene King, EXTRACTIVE INDS (1) Mount Burgess, INVESTMENT TRUSTS (1) Kleinwort Euro. Prvt., MEDIA (1) Gold Greenlees Trott 5p, SUPPORT SERVS (1) Learmonth & Burchett, TEXTILES & APPAREL (2) Haggas (J), AMERICANS (2) Houston Inds., Woolworth, CANADIANS (1) Hudson's Bay.

## EQUITY FUTURES AND OPTIONS TRADING

Dealers reported an uneventful session on the last full day of trading in the March contracts in both Footsie futures and stock index options, writes Joel Kibazo.

In futures, the March contract on the FT-SE 100 started trading at 3,247 and slow but steady buying saw it advance to the day's peak of 3,267 just before midday.

News that the Bundesbank had left rates unchanged saw March come off the top and it drifted gently lower for the next few hours on light selling.

A bout of heavy selling by independent traders in the last half-hour before the close brought a further retreat before March finished at its starting level of 3,247, a 10-point discount to cash, with volume of 15,640 at the official close.

June finished at 3,252 with turnover reaching 8,781 lots. A trader pointed out that the cost of rolling over a long position had fallen from 10 to 7 points, showing a willingness to maintain a short position in March ahead of its expiry. This was said to signal a retreat in the market over the next few sessions.

In the Liffe FT-SE Mid 250, volume in March was 473 lots, and the same contract on the OMLX saw 538 dealt.

Business in Liffe traded options was dull, volume reaching 25,829 contracts.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 3247.0 | 3247.0 | +9.0 | 3267.0 | 3238.0 | 18738 | 19632 |
| Jun | 3260.0 | 3254.0 | +8.5 | 3273.0 | 3247.0 | 10579 | 47786 |
| Sep | - | 3275.0 | +9.0 | - | - | 0 | 680 |

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 3895.0 | 3888.0 | -2.0 | 3900.0 | 3895.0 | 455 | 780 |
| Jun | 3914.0 | 3905.0 | -5.0 | 3920.0 | 3914.0 | 421 | 944 |

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 3885.0 | 3890.0 | +5.0 | 3895.0 | 3885.0 | 538 | 20,904 |
| Apr | 3903.0 | 3911.0 | - | 3903.0 | 3902.5 | 535 | 20,879 |

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3257) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

[illegible]

## TRADING VOLUME

■ Major Stocks yesterday

| | Vol. 000s | Closing price | Day's change |
|---|---|---|---|
| ASDA Group† | 4,100 | 58½ | -½ |
| Abbey National† | 1,000 | 487 | +4 |
| Albert Fisher | 881 | 63 | |
| Allied-Lyons† | 1,800 | 618 | -6 |
| Anglian Water† | 355 | 506 | -11 |
| Argos | 66 | 365 | -2 |
| Argyll Group† | 4,700 | 263 | +1 |
| Arjo Wiggins† | 6,500 | 302 | +15 |
| Assoc. Brit. Foods† | 63 | 557 | |
| Assoc. Brit. Ports | 880 | 583 | +3 |
| BAA† | 565 | 1006 | +10 |
| BAT Inds.† | 3,500 | 473 | -6 |
| BET | 563 | 131 | -1½ |
| BICC | 827 | 441 | +1 |
| BOC† | 451 | 726 | +6 |
| BP† | 12,000 | 369 | +8½ |
| BPB Inds. | 984 | 337 | |
| BT† | 6,400 | 410 | +1 |
| BT (P/Paid) | 3,800 | 297 | +1 |
| BTR† | 4,500 | 387 | +3 |
| Bank of Scotland† | 2,200 | 200 | +4 |
| Barclays† | 6,100 | 563 | -4 |
| Bass† | 1,600 | 526 | |
| Blue Circle† | 2,100 | 365 | +1 |
| Booker | 33 | 416 | -1 |
| Boots† | 1,400 | 547½ | +1½ |
| Bowater† | 558 | 493 | -7 |
| Brit. Aerospace† | 868 | 509 | -5 |
| British Airways† | 2,000 | 427 | +1 |
| British Gas† | 2,000 | 312 | +1½ |
| British Land | 42 | 410 | |
| British Steel† | 3,400 | 145½ | +2¼ |
| Bunzl | 148 | 182½ | -½ |
| Burmah Castrol† | 64 | 840 | +6 |
| Burton | 651 | 54 | -½ |

[illegible]

## FT - SE Actuaries Share Indices — The UK Series

[illegible]

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

## LONDON EQUITIES

RISES AND FALLS YESTERDAY

[illegible]

## LIFFE EQUITY OPTIONS

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FT GOLD MINES INDEX

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

## LONDON SHARE SERVICE

### BANKS

| | Notes | Price | + or - | 1993/94 high | low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| ABN Amro Fl | | £24⅞ | -⅛ | £25¼ | £18¼ | 6,762 | 4.8 | ♦ |
| ANZ A$ | | 265¼ | -4¼ | 278¾ | 130 | 3,221 | 3.7 | 19.4 |
| Abbey National | | 487xd | +4 | 524 | 345 | 6,394 | 3.6 | 16.4 |
| Allied Irish I£ | | 294xd | - | 314 | 179 | 1,739 | 4.7 | ♦ |
| Anglo Irish I£ | | 60 | - | 70 | 28 | 148.4 | 7.2 | 11.0 |
| Asahi 7 | | 701½ | -21¼ | 844 | 415 | 16,275 | 0.7 | - |
| Banco Bil Viz Pta | | 216½ | | £17⅞ | £13⅞ | 3,509 | 5.4 | 6.0 |
| Banco Sant Pta | | £31⅝ | -3 | £36 | £24⅞ | 3,513 | 4.3 | 12.1 |
| Bank Leumi (UK) | | 430xd | - | 450 | 325 | 35.2 | 5.8 | ♦ |
| Bk Ireland I£ | | 282 | -1 | 319 | 177 | 1,236 | 4.8 | 19.3 |
| Bank Scotland | | 200 | -4 | 247 | 116½ | 2,328 | 2.9 | 27.2 |
| 9¼pc Pf | | 131¼ | -¼ | 121½ | 117¾ | 121.2 | 8.8 | - |
| 9¼pc Pf | | 139¼ | -¼ | 146½ | 123½ | 139.2 | 8.0 | - |
| Barclays | | 553xd | -4 | 652 | 362 | 8,960 | 3.4 | 28.2 |
| Dai Ichi Kan Y | | £12⅛ | | 219⅞ | | 35,936 | 0.4 | 69.8 |
| Deutsche DM | | £321¼ | | £348⅞ | £250½ | 15,305 | 1.9 | - |
| Espirito Santo | | £22⅛ | | £26⅛ | £16½ | 242.6 | 3.6 | 5.5 |
| First Nat Fin | | 83 | - | 95 | 45 | 137.5 | 2.3 | - |
| 6.3pc Cv Pf | | 88 | - | 91 | 55 | 5.78 | 9.2 | - |
| 7pc Cv Pf | | 161 | - | 171 | 105 | 76.4 | 5.4 | - |
| Fuji Bank 7 | | 1440½ | -4¼ | 1651 | 876 | 41,708 | 0.4 | - |
| HSBC HK | | 845xd | -15 | 1127 | 474 | 14,838 | 3.5 | ♦ |
| HSBC (75p Shs) | | 824xd | -15 | 1113 | 490 | 6,971 | 3.0 | ♦ |
| Lloyds | | 591xd | +5 | 690 | 492 | 7,594 | 4.7 | 12.5 |
| Mitsubishi 7 | | £18⅞ | | £19¾ | £11⅞ | 52,128 | 0.3 | - |
| Mits Tst & Bk Y | | 1001½ | -6½ | 1027¼ | 462½ | 13,040 | 0.5 | 16.1 |
| Mitsui Tst & Bk Y | | 793 | -18½ | 852 | 374 | 9,900 | 0.7 | 27.0 |
| Nat Aust A$ | | 581½ | -6¼ | 620¼ | 322 | 7,380 | 4.2 | 13.7 |
| NatWest | | 483xd | -4 | 634 | 398 | 8,193 | 4.7 | 13.5 |
| Ottomane FFr | | £31½ | - | £33 | £23¼ | 167.5 | 4.8 | 9.2 |
| [illegible] | | | | | | | | |

### BREWERIES

[illegible]

### BUILDING & CONSTRUCTION

[illegible]

### BUILDING MATS. & MERCHANTS

[illegible]

### BUILDING MATS. & MERCHANTS - Cont.

[illegible]

### CHEMICALS

[illegible]

### DISTRIBUTORS

[illegible]

### DIVERSIFIED INDUSTRIALS

[illegible]

### ELECTRICITY

[illegible]

### ELECTRONIC & ELECTRICAL EQPT

[illegible]

### ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

### ENGINEERING

[illegible]

### ENGINEERING, VEHICLES

[illegible]

### ENGINEERING, VEHICLES - Cont.

[illegible]

### EXTRACTIVE INDUSTRIES

[illegible]

### FOOD MANUFACTURERS

[illegible]

### GAS DISTRIBUTION

[illegible]

### HEALTH CARE

[illegible]

### HEALTH CARE - Cont.

[illegible]

### HOUSEHOLD GOODS

[illegible]

### INSURANCE

[illegible]

### INVESTMENT TRUSTS

[illegible]

### INVESTMENT TRUSTS - Cont.

[illegible]

# LONDON SHARE SERVICE

## INVESTMENT TRUSTS - Cont.

## LEISURE & HOTELS - Cont.

## LIFE ASSURANCE

## MEDIA

## MERCHANT BANKS

## OIL EXPLORATION & PRODUCTION

## OIL, INTEGRATED

## OIL, INTEGRATED - Cont.

## OTHER FINANCIAL

## OTHER SERVICES & BUSINESSES

## PHARMACEUTICALS

## PRINTING, PAPER & PACKAGING

## PROPERTY

## PROPERTY - Cont.

## RETAILERS, FOOD

## RETAILERS, GENERAL

## SPIRITS, WINES & CIDERS

## SUPPORT SERVICES

## TELECOMMUNICATIONS

## TEXTILES & APPAREL

## TOBACCO

## TRANSPORT

## TRANSPORT - Cont.

## WATER

## AMERICANS

## CANADIANS

## SOUTH AFRICANS

| | Notes | Price | + or - | 1993/94 high | low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Anglo Am Ind | | £22¼ | -⅛ | £23½ | £7⅛ | 1,358 | 3.2 | ♦ |
| Barlow | | £4⅞ | +¼ | £5⅝ | £3⅛ | 920.4 | 7.0 | 8.5 |
| Gold Fields SA R | | £14¾ | -⅛ | 218 | £7¼ | 1,390 | 2.8 | 24.1 |
| MK Props. | § | 0ff | — | 97 | 60 | 3.62 | 9.9 | 37.0 |
| SASOL | ♥ | 363 | -1 | 381 | 215 | 1,999 | 1.4 | — |
| SA Brews | | £13⅞ | -¼ | £15⅛ | £7⅞ | 7,238 | 2.1 | 22.2 |
| Tiger Oats | | 788 | — | 838 | 513 | 1,188 | 2.1 | 16.6 |
| Tongaat-Hulett | † | 562 | -3 | 583 | 212 | 413.1 | 2.7 | 15.4 |

## GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
e Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR "Headline Earnings"
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other offical estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

## FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT7738. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

## FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

## AUTHORISED UNIT TRUSTS

| | Init Chrge | Canc Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| AIB Unit Trust Managers Limited (1600)F | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

[illegible]

## Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

**Abbey Life Assurance Co Ltd**
80 Holdenhurst Road, Bournemouth 0202 292373

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Prop. Ser. 1 | 275.9 | 280.5 | +0.10 | - |
| Equity Ser. 1 | 178.3 | 186.6 | -0.50 | - |
| Prop. Acc. Ser 2 | 509.8 | 530.4 | +0.10 | - |
| Equity Ser 2 | 228.8 | 240.9 | +0.80 | - |
| Selective Acc. Ser 2 | 488.9 | 514.7 | -1.20 | - |
| Prop. Ser. 4 | 392.3 | 413.0 | +0.10 | - |
| Equity Ser. 4 | 717.0 | 229.3 | -0.30 | - |
| Man. Ser. 4 | 681.0 | 710.9 | -1.0 | - |
| Fixed Int. Ser. 4 | 348.1 | 366.5 | -2.10 | - |
| Indexed Inv. Ser. 4 | 212.3 | 223.5 | -1.0 | 0 |
| American Ser. 4 | 523.8 | 551.4 | +2.10 | - |
| Japan Ser. 4 | 381.8 | 401.0 | +0.10 | - |
| European Ser. 4 | 170.1 | 179.1 | +0.60 | - |
| High Inc. Ser. 4 | 681.1 | 717.0 | -1.20 | - |
| Money Ser. 4 | 321.2 | 338.2 | | 0.0 |
| Intl Ser. 4 | 196.6 | 206.2 | -0.10 | - |
| Canadian Ser. 4 | 173.3 | 182.5 | -0.10 | 0 |
| Asian Pacific | 211.4 | 222.6 | -3.20 | - |
| Ethical | 140.80 | 148.3 | -0.30 | 0 |
| Protected Growth | 109.4 | 115.2 | | - |
| **Pension Funds** | | | | |
| Property | 763.1 | 803.4 | +0.50 | - |
| Equity | 1739.4 | 1831.0 | -3.60 | - |
| Selective | 556.2 | 585.6 | -1.40 | - |
| Managed | 1464.0 | 1543.3 | -1.40 | - |
| Security | 701.4 | 738.4 | | - |
| Fixed Int. | 440.2 | 463.7 | -2.60 | - |
| Indexed | 239.7 | 252.4 | -1.20 | - |
| American | 499.7 | 526.0 | +2.30 | - |
| Japan | 435.6 | 458.5 | +0.20 | - |
| European | 266.3 | 280.4 | +1.10 | - |
| High Income | 209.0 | 220.0 | -0.40 | 0 |
| Ethical | 213.6 | 224.8 | -0.50 | 0 |
| International | 380.3 | 400.6 | +0.40 | 0 |
| Protected Growth | 123.0 | 130.2 | -0.10 | 0 |
| Asian Pacific | 89.9 | 94.7 | -1.10 | 0 |

**Abbey National Life Plc.**
301 St Vincent Street, Glasgow 041 305 8809

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Managed | 110.3 | 122.5 | -0.1 | - |
| UK Equity | 110.3 | 122.6 | +0.2 | - |
| International | 121.8 | 128.3 | -0.2 | - |
| Deposit | 100.1 | 105.4 | | - |
| Pension Managed | 118.6 | 124.9 | | - |
| Pension UK Equity | 117.8 | 124.0 | -0.8 | - |
| Pension International | 127.6 | 134.4 | -0.8 | - |
| Pension Deposit | 102.0 | 107.4 | | - |

**Acuma Life Assurance Ltd**
The Glanty, Egham, Surrey TW2 8AT 0784 475033

## OTHER UK UNIT TRUSTS

## INSURANCES

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

**S-E-Banken Life Assurance Co Ltd**
149-151 High Rd, Chadwell Hth RM6 6PJ 081-597 7000

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Managed Fund | 158.4 | 166.8 | -0.3 | - |
| Pension Mngd Fd | 178.8 | 188.0 | +0.3 | - |

**Save & Prosper Group (z)**
16-22 Western Rd, Romford RM1 3LB 0708-766966

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Bal Inv Fd | 774.8 | 819.9 | -1.7 | 2.18 |
| Coverdale AG Bond Fd | 162.3 | 171.8 | +0.3 | - |
| Deposit Fd† | 361.4 | 382.5 | — | 5.74 |
| Directors' Portfolio | 85.4 | 90.4 | — | - |
| Equity Pens Fd | 196.8 | 207.0 | | - |
| European Mngd Fd | 69.0 | 73.1 | -0.1 | |
| Gilt Fd | 527.8 | 552.2 | -4.0 | 8.00 |
| Gilt Pens Fd | 151.6 | 152.0 | -1.2 | 7.93 |
| Global Equity Fd | 245.7 | 260.0 | -0.7 | - |
| Global Eq Pens Fd | 243.9 | 258.1 | -0.8 | - |
| High Int Pens Fd† | 132.7 | 140.5 | — | 5.46 |
| Japanese Mngd Fd | 105.3 | 111.6 | -0.3 | - |
| Managed Income Fd | 50.4 | 53.4 | — | 8.73 |
| Man Pens Fd | 201.6 | 213.6 | -0.4 | 1.99 |
| North American Mngd Fd | 71.8 | 76.1 | — | - |
| Pacific Mngd Fd | 85.4 | 90.4 | -1.0 | - |
| Property Fd* | 101.5 | 107.5 | — | 5.82 |
| Prop Pens Fd* | 133.5 | 141.3 | — | 6.45 |
| Thornton Lambert Managed | 234.0 | 241.7 | -1.1 | - |
| UK Capital Portfolio | 63.0 | 67.6 | — | - |
| UK Managed Gth Fd | 62.8 | 66.3 | +0.9 | - |

†Weekly dealings. *Fortnightly dealings

**Scottish Amicable**
150 St Vincent St, Glasgow 041-248 2323

Life Funds (First Series)

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Managed | 471.4 | 498.4 | +0.90 | - |
| Equity | 590.3 | 621.4 | -2.90 | - |
| Property | 287.4 | 302.0 | — | - |
| International | 478.3 | 503.5 | -2.00 | - |

**Skandia Life Assurance Co Ltd - Contd.**

Pension Managed Funds

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Skandia Cautious | 159.9 | 168.3 | +0.7 | - |
| Skandia Balanced | 605.8 | 637.0 | +2.6 | - |
| Skandia Ethical Selection | 138.8 | 146.1 | +0.8 | - |
| Skandia Deposit | 450.0 | 473.6 | +0.1 | - |
| Abtrust Managed | 145.1 | 152.7 | +0.2 | - |
| Barclays Managed | 166.2 | 174.9 | +0.1 | - |
| BZW Managed | 131.7 | 138.6 | +0.7 | - |
| CU Managed | 299.0 | 314.7 | -0.1 | - |
| Fidelity Managed | 243.3 | 256.1 | +0.5 | - |
| Fleming Managed by Tst | 161.4 | 169.9 | | - |
| F & C Investment Trust | 213.8 | 225.0 | -1.8 | - |
| Framlington Managed | 378.2 | 396.0 | +0.7 | - |
| Gartmore Managed | 402.7 | 423.8 | +0.6 | - |
| Henderson Managed | 364.8 | 384.0 | +0.6 | - |
| Hill Samuel Managed | 305.1 | 321.1 | +1.0 | - |
| Invesco Managed | 287.5 | 302.6 | +0.4 | - |
| James Capel Core Mngd | 161.0 | 169.4 | +0.3 | - |
| Kleinwort Benson Mngd | 152.9 | 160.9 | +0.1 | - |
| Martin Currie Mngd | 181.2 | 190.7 | +0.8 | - |
| Morgan Grenfell Mngd | 186.1 | 195.8 | +0.3 | - |
| Murray Johnstone Mngd | 168.3 | 177.1 | +0.3 | - |
| Perpetual Managed | 278.4 | 293.0 | +0.4 | - |
| Schroder Managed | 154.8 | 163.0 | +0.3 | - |

**Standard Life Assurance Company**
3 George St, Edinburgh EH2 2XZ 031-225 2552

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Managed | 714.6 | 752.3 | | - |
| Equity | 1512.9 | 1085.3 | | - |
| Fixed Interest | 403.5 | 424.8 | | - |
| Index-Linked | 210.8 | 222.0 | | - |
| International | 641.0 | 674.8 | | - |
| North American | 147.2 | 155.0 | | - |
| Far East | 170.5 | 180.0 | | - |
| European | 175.5 | 184.8 | | - |
| Property | 341.3 | 359.3 | | - |
| Cash | 263.1 | 277.0 | | - |
| Pension Managed | 1004.5 | 1057.4 | | - |

## OFFSHORE INSURANCES

## OFFSHORE AND OVERSEAS

## BERMUDA (SIB RECOGNISED)

## GUERNSEY (REGULATED)(**)

## GUERNSEY (SIB RECOGNISED)

## IRELAND (SIB RECOGNISED)

## IRELAND (REGULATED)(**)

## MANAGEMENT SERVICES

## ISLE OF MAN (REGULATED)(**)

## JERSEY (SIB RECOGNISED)

## JERSEY (REGULATED)(**)

## ISLE OF MAN (SIB RECOGNISED)

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Greece Fund Ltd** | | | | |
| NAV Mar 10 | $22.67 | | | - |
| **John Govett Management (Jersey) Ltd** | | | | |
| [illegible] | $47.8170 | | - | - |
| [illegible] NAV Feb 28 | $10.30 | | - | - |
| [illegible] | [illegible] | | - | - |
| [illegible] Feb 28 | $111.45 | | - | - |
| [illegible] | $11.1414 | 11.60 | - | - |
| [illegible] NAV Mar 11 | $13.54 | | - | - |
| [illegible] Mar 11 | $7.04 | | - | - |
| Govett India Fund | $11.44 | 11.82 | - | - |
| [illegible] | $10.5365 | 10.5661 | - | - |
| [illegible] | $10.1770 | 10.16 | - | - |
| [illegible] | $10.7450 | 10.40 | - | - |
| Govett Mgd Fu[illegible] Mar 11 | $13.45 | 14.71 | - | - |
| Govett Mngd [illegible] Mar 11 | $9.34 | 10.21 | - | - |
| Taiwan Capital | $8.82 | 8.5[illegible] | - | - |
| **INVESCO International Limited** | | | | |
| All funds deal daily except where indicated. | | | | |
| Sterling Denominated Income Funds | | | | |
| American Equity Inc | [illegible] | 2.0340 | -0.0268 | 3.12 |
| Japan Bd & [illegible] | [illegible]2.1110 | 2.2000 | +0.017 | 1.42 |
| Sterling Denominated Growth Funds | | | | |
| [illegible] Markets | [illegible] | 6.2290 | -0.0700 | |
| [illegible] Portfolio | [illegible] | 2.2270 | +0.0116 | 1.29 |
| US Dollar Denominated Growth Funds | | | | |
| [illegible] | [illegible] | | - | - |
| [illegible] London Agents | | | | |
| Apollo Fd Mar 1[illegible] | SFr110.80 | 125.81 | +3.65 | - |
| Weekly Dealing. †Fortnightly Dlng. ††Monthly Dlng. | | | | |
| **Jupiter Tyndall (Jersey) Ltd** | | | | |
| Gilt Fd | 122.5 | 128.7 | -0.8 | 7.77 |
| [illegible] | 612.1 | 650.2 | -0.0 | 1.77 |
| Managed Currency Stg | 123 | 130 | [illegible] | - |
| International | 497 | 522 | -3 | 9.23 |
| **Lloyds Bank Trust Co (CI) Mngrs** | | | | |
| [illegible] | £3.181 | 3.362 | +0.005 | 0.81 |
| Dealing Weekly on Thursday | | | | |
| **Lombard Odier (Jersey) Ltd** | | | | |
| Fixed Income Funds | | | | |
| Obiflex Ltd | | | | |
| Accumulating Classes | | | | |
| Class A (US$ [illegible]) | $33.77 | | +0.10 | - |
| Class B (US$ [illegible]) | $25.46 | | +0.18 | - |
| Class C (US$ Long) | $21.28 | | +0.18 | - |
| Class D (Japan) | ¥4805 | | -3.00 | - |
| Class E ([illegible]) | [illegible] | | -0.34 | - |
| Class F (DM) | DM18.10 | | +0.08 | - |
| Class G ([illegible]) | DM10.21 | | +0.04 | - |

| | Init Chrge | Canc Price | Bid Price | Offer Price | + or - | Yield Grs |
|---|---|---|---|---|---|---|
| **Cresvale Group (u)** | | | | | | |
| 11 Rue Aldringen, L-1118 Luxembourg | | | | | 07 -352 9400 | |
| Managed Convertible (z) | | | | 2.24 | +0.01 | - |
| Equity Warrt [illegible] (z) | | | | 2.11 | +0.07 | - |
| Hedge Fund | | | | 27.44 | - | - |
| Hedge Fund US$ [illegible] | | | | 19.30 | - | - |
| Hedge (C) | | | | 98.09 | - | - |
| **DB Investment Management SA** | | | | | | |
| 2 Boulevard Konrad Adenauer, Lux | | | | | 010 352 421011 | |
| Eurorenta | | DM | 88.26 | 88.94 | - | - |
| Dollarrenta | | $ | 56.00 | 57.88 | - | - |
| DM Reserve | | DM | 156.66 | 161.47 | - | - |
| **Den norske Bank** | | | | | | |
| 2 Boulevard Royal, Lux | | | | | 010 352 4590 3271 | |
| DnB Inv Nordic Bd Cap | | NKr | 13860.80 | | -38.55 | - |
| DnB Inv Nordic Eq Cap | | NKr | 13124.71 | | -48.82 | - |
| **Disa Income Fund** | | | | | | |
| 69 Blvd Petrusse, L-2320, Luxembourg | | | | | (352) 407330 | |
| DISA Income | | R | 46.91 | | - | 10.65 |
| **Dolphin Intl Investments (u) SICAV** | | | | | | |
| 14 Rue Aldringen, L-1118 Luxembourg | | | | | 0634 27391 | |
| Cand Capital Builder | | £ | 1.3560 | | - | - |
| Intl Growth & Income | | $ | 5.4770 | | - | - |
| International Bond | | $ | 5.3780 | | - | - |
| **Dresdnerbank Asset Mngmt SA (u)** | | | | | | |
| 6A Route de Treves L-2633 Senningerberg | | | | | 010 352 4634531 | |
| DB-Lux Bondspezial (Inc) | | DM | 76.85 | 79.16 | - | - |
| DB-Lux Bondspezial (Acc) | | DM | 97.30 | 94.13 | - | - |
| **E.T. Investment Management Ltd** | | | | | | |
| 13 Rue Goethe, BP 413, Luxembourg | | | | | 010 352 4046481 | |
| Establishment 10 Mar 14 | | $ | 2.43 | | -0.01 | - |
| **Eagle Star - Global Assets Fund (u)** | | | | | | |
| 6 Rue Aldringen L-1118 Luxembourg | | | | | | |
| Dealing UK 0624 681 100 | | | | | Europe 010 352 471784 | |
| UK Equity | | £ | 1.677 | 1.782 | -0.010 | 4.00 |
| Nth Am Equity | | £ | 1.840 | 1.955 | -0.001 | 2.00 |
| Japanese Equity | | £ | 0.901 | 0.957 | [illegible] | 1.01 |
| Pacific Basin Equity | | £ | 2.408 | 2.559 | [illegible] | 3.30 |
| European Equity | | £ | 1.744 | 1.853 | [illegible] | 3.00 |
| Sterling Bond | | £ | 1.056 | 1.120 | [illegible] | 6.25 |
| US Dollar Bond | | £ | 1.480 | 1.563 | [illegible] | 6.25 |
| Japanese Yen Bd | | £ | 1.397 | 1.485 | [illegible] | 4.70 |
| Deutschmark Bond | | £ | 1.218 | 1.292 | [illegible] | 7.00 |
| Stg Liquid Assets | | £ | 0.902 | [illegible] | [illegible] | 5.00 |
| US$ Liquid Assets | | £ | 1.214 | 1.291 | [illegible] | 2.50 |
| Japan Yen Liquid Assets | | £ | 1.200 | 1.276 | [illegible] | 3.70 |
| D'mark Liquid Assets | | £ | 1.149 | 1.220 | [illegible] | 5.90 |
| Global Managed | | £ | 2.004 | 2.130 | [illegible] | 7.60 |
| European Bond | | £ | 1.715 | 1.821 | [illegible] | 7.[illegible] |

[illegible]

## LUXEMBOURG (SIB RECOGNISED)

[illegible]

## LUXEMBOURG (REGULATED)(**)

[illegible]

## SWITZERLAND (SIB RECOGNISED)

[illegible]

## OTHER OFFSHORE FUNDS

[illegible]

### MANAGED FUNDS NOTES

[illegible]

# CURRENCIES AND MONEY

## MARKETS REPORT

# Buba holds fire

THE BUNDESBANK'S decision to leave its key lending rates unchanged caused little consternation on the European foreign exchanges but was nevertheless enough to trigger further falls in the dollar, *write Emma Tucker and Graham Bowley.*

Few had expected the German central bank to lower its discount rate, but the market was hoping for a symbolic cut in the Lombard rate.

A drop in this rate - which forms the ceiling for German market rates - would have had little real significance but would have been interpreted as a sign of the Bundesbank's commitment to further relaxation of monetary policy.

The dollar moved as high as DM1.6920 ahead of the Bundesbank's announcement and in anticipation of such a cut, but slipped once it became clear that the Bank had not acted.

Mr Paul Chertkow, head of global currency research at UBS, said: "The markets were very frustrated by the Bundesbank's lack of action. The D-Mark immediately strengthened against the dollar and other European currencies."

Analysts are now strongly optimistic that the Bundesbank will ease rates at its next meeting on April 14. In the meantime, the authorities are expected to continue making gradual reductions in the securities repurchase rate.

The repo rate is now 5.88 per cent compared with 6 per cent at the beginning of the month. Mr Huw Roberts, assistant bond strategist at NatWest Capital Markets, believes one more cut in the repo rate will give the French room to reduce their intervention rate - currently at 6.10 per cent - next Thursday.

The last change in the French key rate was on February 24, but the authorities cut by only 10 basis points, a move which failed to impress those looking for a more trenchant easing in monetary policy to spark economic activity.

■ The Bundesbank's caution was not the only thing contributing to the dollar's jaded performance yesterday. A report from the Philadelphia Federal Reserve showed lower activity and subdued price pressures. As a result, fears of tightening in US monetary policy receded further.

Mr Chris Turner, currency strategist at BZW said: "The federal reserve published a low activity number, but the price indices were the main market focus and both the input and output price numbers were lower than expected. They left the US bond market stronger and the dollar more vulnerable as expectations of a rate cut receded."

Other news from the US went largely unnoticed by the markets. Initial jobless claims for the week ended March 12 came in at 342,000, in line with expectations.

Mr John LaWare, a federal reserve governor, said the economy's vigour has picked up, but White House economic adviser Mr Robert Rubin said the Clinton administration does not see any signs of a resurgence of inflation. He predicted growth of 3.0-3.5 per cent and said long term interest rates should remain in a range consistent with that growth. The dollar closed in London down over a pfennig on the day at DM1.68.

■ The pound remained vulnerable yesterday, following the mixed bag of economic statistics published earlier this week. A survey by IDEA, the financial market consultants, asked foreign exchange dealers to forecast a range for sterling over the month ahead. The results included a low of DM2.46 and a high of DM2.57 with a mid-point range of DM2.5025-DM2.5425.

"Sterling is still definitely in its sick bed," commented Mr Chris Furness, senior currency analyst at IDEA, adding that technically, the pound looked "very bearish indeed".

It closed down in London at DM2.5158, from the previous day's DM2.5227.

Mr Turner said: "There was a steady selling of the pound around the DM1.60 level. The markets are still feeling last month's base rate cut. They feel the government is taking risks with inflation and doubt its commitment to keeping it down."

■ There was relief on the UK money markets when most of a £2.45bn shortage was removed in the early round. This followed several particularly tight days. The overnight rate softened after the early round to 5¾ per cent, only to move back up to around 6 per cent over lunchtime when the Bank did not carry out any midday operations. Later the Bank provided the market with around £400m in unspecified late help, bringing total assistance for the day to £2.45bn.

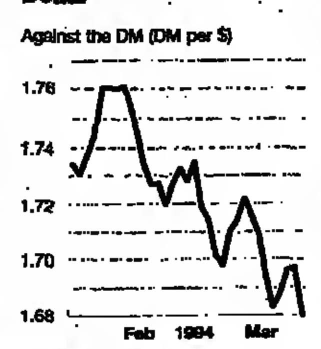
■ The Canadian dollar was very weak, falling to a 7 year low against the US dollar. It later rallied when the Bank of Canada intervened and bought Canadian dollars. Mr Turner said that yesterday's very good inflation figure meant that underlying inflation was no more than 1.0 per cent.

"Short term interest rates could go below US rates but real bond yields are attractive and could boost the currency," he said.

The Canadian currency closed at C$1.3678 compared with the previous day's close of C$1.361.

**Dollar**

Against the DM (DM per $)




Source: FT Graphite

■ Pound in New York

| Mar 17 | —Latest— | —Prev. close— |
|---|---|---|
| £ spot | 1.4955 | 1.4946 |
| 1 mth | 1.4933 | 1.4927 |
| 3 mth | 1.4905 | 1.4899 |
| 1 yr | 1.4847 | 1.4845 |

■ OTHER CURRENCIES

| Mar 17 | £ | $ |
|---|---|---|
| Hungary | 154.415 - 154.688 | 103.150 - 103.250 |
| Iran | 2597.00 - 2603.00 | 1743.00 - 1750.00 |
| Kuwait | 0.4461 - 0.4472 | 0.2980 - 0.2985 |
| Poland | 33004.4 - 33028.4 | 22047.0 - 22047.0 |
| Russia | 2564.75 - 2572.25 | 1707.00 - 1712.00 |
| U.A.E. | 5.4929 - 5.4942 | 3.6715 - 3.6735 |

## POUND SPOT FORWARD AGAINST THE POUND

| Mar 17 | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | Day's Mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 17.6855 | -0.0822 | 758 - 351 | 17.7846 | 17.6758 | 17.6817 | 0.3 | 17.6761 | 0.2 | - | - | 114.1 |
| Belgium | (BFr) | 51.8285 | -0.1076 | 612 - 757 | 51.9887 | 51.7812 | 51.8735 | -1.0 | 51.9635 | -1.0 | 52.1785 | -0.7 | 115.0 |
| Denmark | (DKr) | 9.8573 | +0.0024 | 503 - 643 | 9.8721 | 9.8356 | 9.8652 | -1.1 | 9.8809 | -1.0 | 9.9157 | -0.6 | 114.9 |
| Finland | (FM) | 8.2147 | +0.0018 | 045 - 248 | 8.2440 | 8.1990 | - | - | - | - | - | - | 81.5 |
| France | (FFr) | 8.5736 | -0.0026 | 696 - 775 | 8.5891 | 8.5510 | 8.5819 | -1.2 | 8.5984 | -1.2 | 8.6203 | -0.5 | 108.6 |
| Germany | (DM) | 2.5158 | -0.0068 | 144 - 172 | 2.5295 | 2.5142 | 2.5174 | -0.8 | 2.5205 | -0.8 | 2.5207 | -0.2 | 123.6 |
| Greece | (Dr) | 368.513 | -0.569 | 166 - 860 | 368.902 | 366.165 | - | - | - | - | - | - | - |
| Ireland | (I£) | 1.0381 | -0.0025 | 368 - 393 | 1.0416 | 1.0368 | 1.039 | -1.0 | 1.0408 | -1.0 | 1.0464 | -0.8 | 103.0 |
| Italy | (L) | 2485.33 | -5.77 | 352 - 713 | 2491.71 | 2482.95 | 2491.83 | -3.1 | 2505.83 | -3.3 | 2556.03 | -2.8 | 76.9 |
| Luxembourg | (LFr) | 51.8285 | -0.1076 | 812 - 757 | 51.9887 | 51.7812 | 51.8735 | -1.0 | 51.9635 | -1.0 | 52.1785 | -0.7 | 115.0 |
| Netherlands | (Fl) | 2.8267 | -0.0069 | 250 - 284 | 2.8393 | 2.8250 | 2.8254 | 0.1 | 2.8278 | -0.2 | 2.8246 | 0.1 | 118.6 |
| Norway | (NKr) | 10.9140 | -0.0129 | 088 - 191 | 10.9704 | 10.8809 | 10.9083 | 0.6 | 10.9209 | -0.3 | 10.912 | 0.0 | 95.1 |
| Portugal | (Es) | 258.818 | -0.599 | 757 - 079 | 260.117 | 258.757 | 259.893 | -4.5 | 261.838 | -4.5 | - | - | - |
| Spain | (Pta) | 206.723 | -0.233 | 616 - 829 | 207.223 | 206.493 | 207.283 | -3.3 | 208.433 | -3.3 | 212.433 | -2.8 | 85.1 |
| Sweden | (SKr) | 11.7041 | -0.0185 | 948 - 136 | 11.7367 | 11.6790 | 11.7241 | -2.1 | 11.7596 | -1.9 | 11.8686 | -1.4 | 76.9 |
| Switzerland | (SFr) | 2.1387 | +0.0003 | 385 - 409 | 2.1445 | 2.1362 | 2.1379 | 1.0 | 2.1343 | 1.0 | 2.1133 | 1.2 | 117.7 |
| UK | (£) | - | - | - | - | - | - | - | - | - | - | - | 80.5 |
| Ecu | - | 1.3035 | -0.003 | 025 - 045 | 1.3060 | 1.3023 | 1.3048 | -1.2 | 1.3072 | -1.1 | 1.312 | -0.7 | - |
| SDR | - | 0.940416 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.4968 | +0.0058 | 963 - 974 | 1.4981 | 1.4917 | - | - | - | - | - | - | - |
| Brazil | (Cr) | 1167.35 | +22.46 | 696 - 774 | 1168.00 | 1145.00 | - | - | - | - | - | - | - |
| Canada | (C$) | 2.0487 | +0.0177 | 476 - 497 | 2.0497 | 2.0360 | 2.046 | 1.6 | 2.0438 | 1.0 | 2.045 | 0.2 | 88.0 |
| Mexico | (New Peso) | 4.9419 | +0.023 | 326 - 508 | 4.9509 | 4.9311 | - | - | - | - | - | - | - |
| USA | ($) | 1.4975 | +0.0058 | 970 - 980 | 1.4988 | 1.4920 | 1.4955 | 1.5 | 1.4928 | 1.3 | 1.4874 | 0.7 | 66.1 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 2.1018 | +0.0112 | 996 - 039 | 2.1039 | 2.0897 | 2.1003 | 0.9 | 2.0979 | 0.7 | 2.098 | 0.3 | - |
| Hong Kong | (HK$) | 11.5704 | +0.0453 | 658 - 750 | 11.5782 | 11.5272 | 11.5574 | 1.3 | 11.552 | 0.6 | 11.5029 | 0.6 | - |
| India | (Rs) | 46.9766 | +0.1798 | 571 - 960 | 47.0140 | 46.8570 | - | - | - | - | - | - | - |
| Japan | (Y) | 158.279 | +0.51 | 188 - 369 | 158.760 | 157.660 | 157.899 | 2.9 | 157.179 | 2.8 | 154.044 | 2.7 | 183.7 |
| Malaysia | (M$) | 4.0684 | +0.0007 | 663 - 705 | 4.0783 | 4.0567 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 2.6073 | +0.0187 | 048 - 098 | 2.6098 | 2.5830 | 2.6102 | -1.3 | 2.6145 | -1.1 | 2.6231 | -0.8 | - |
| Philippines | (Peso) | 41.2937 | +0.1544 | 178 - 695 | 41.5695 | 40.8534 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 5.6151 | +0.0204 | 129 - 172 | 5.6196 | 5.5947 | - | - | - | - | - | - | - |
| Singapore | (S$) | 2.3686 | +0.0035 | 671 - 701 | 2.3723 | 2.3630 | - | - | - | - | - | - | - |
| S Africa (Com.) | (R) | 5.1346 | -0.0129 | 317 - 374 | 5.1584 | 5.1227 | - | - | - | - | - | - | - |
| S Africa (Fin.) | (R) | 6.8212 | +0.0106 | 114 - 309 | 6.8402 | 6.7852 | - | - | - | - | - | - | - |
| South Korea | (Won) | 1207.96 | +5.11 | 733 - 859 | 1208.75 | 1203.35 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 39.5565 | +0.1479 | 358 - 772 | 39.5800 | 39.4200 | - | - | - | - | - | - | - |
| Thailand | (Bt) | 37.8943 | +0.1268 | 741 - 144 | 37.9200 | 37.7630 | - | - | - | - | - | - | - |

†SDR rate for Mar 16. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Mar 17 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | Day's mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | J.P. Morgan Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 11.8100 | -0.086 | 075 - 125 | 11.9025 | 11.8075 | 11.8305 | -2.1 | 11.8575 | -1.6 | 11.8675 | -0.5 | 103.1 |
| Belgium | (BFr) | 34.8100 | -0.202 | 900 - 300 | 34.8300 | 34.5700 | 34.89 | -2.8 | 34.81 | -2.3 | 35.07 | -1.3 | 104.3 |
| Denmark | (DKr) | 6.5825 | -0.0231 | 800 - 850 | 6.6089 | 6.5645 | 6.598 | -2.8 | 6.621 | -2.3 | 6.6625 | -1.2 | 103.8 |
| Finland | (FM) | 5.4856 | -0.0195 | 808 - 906 | 5.5235 | 5.4808 | 5.4913 | -1.3 | 5.4986 | -0.8 | 5.5016 | -0.3 | 76.3 |
| France | (FFr) | 5.7253 | -0.0232 | 245 - 260 | 5.7515 | 5.7045 | 5.739 | -2.9 | 5.7601 | -2.4 | 5.7936 | -1.2 | 105.1 |
| Germany | (D) | 1.6800 | -0.011 | 796 - 804 | 1.6920 | 1.6779 | 1.6834 | -2.5 | 1.6885 | -2.0 | 1.6941 | -0.8 | 104.8 |
| Greece | (Dr) | 244.750 | -1.3 | 600 - 900 | 247.000 | 244.600 | 248.4 | -17.9 | 255.25 | -17.2 | 283.75 | -15.9 | 71.1 |
| Ireland | (I£) | 1.4426 | +0.0068 | 413 - 438 | 1.4438 | 1.4338 | 1.4391 | 2.9 | 1.4342 | 2.3 | 1.4201 | 1.6 | - |
| Italy | (L) | 1659.65 | -10.1 | 900 - 030 | 1669.25 | 1657.75 | 1668.4 | -4.9 | 1678.75 | -4.6 | 1718.15 | -3.5 | 76.4 |
| Luxembourg | (LFr) | 34.5100 | -0.202 | 900 - 300 | 34.8300 | 34.5700 | 34.69 | -2.8 | 34.81 | -2.3 | 35.07 | -1.3 | 104.3 |
| Netherlands | (Fl) | 1.8876 | -0.0117 | 871 - 881 | 1.9025 | 1.8860 | 1.8905 | -1.9 | 1.8943 | -1.4 | 1.8979 | -0.5 | 103.7 |
| Norway | (NKr) | 7.2881 | -0.038 | 871 - 891 | 7.3430 | 7.2865 | 7.2988 | -1.8 | 7.3113 | -1.3 | 7.3241 | -0.5 | 95.0 |
| Portugal | (Es) | 172.900 | -1.05 | 850 - 950 | 174.100 | 172.850 | 173.88 | -6.8 | 175.34 | -5.6 | 180.5 | -4.4 | 93.1 |
| Spain | (Pta) | 138.045 | -0.675 | 020 - 070 | 138.810 | 137.850 | 138.62 | -5.0 | 139.635 | -4.6 | 142.795 | -3.4 | 80.3 |
| Sweden | (SKr) | 7.8158 | -0.0417 | 120 - 195 | 7.8627 | 7.7942 | 7.8428 | -4.1 | 7.8801 | -3.3 | 7.9808 | -2.1 | 82.2 |
| Switzerland | (SFr) | 1.4289 | -0.0051 | 285 - 292 | 1.4353 | 1.4270 | 1.4298 | -0.7 | 1.4298 | -0.3 | 1.4201 | 0.6 | 104.2 |
| UK | (£) | 1.4975 | +0.0058 | 970 - 980 | 1.4988 | 1.4920 | 1.4955 | 1.6 | 1.4928 | 1.3 | 1.4874 | 0.7 | 89.2 |
| Ecu | - | 1.1488 | +0.0069 | 483 - 493 | 1.1500 | 1.1416 | 1.1461 | 2.8 | 1.1421 | 2.4 | 1.1343 | 1.3 | - |
| SDR | - | 1.38774 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 0.9996 | - | 995 - 998 | 0.9998 | 0.9895 | - | - | - | - | - | - | - |
| Brazil | (Cr) | 779.533 | +12.128 | 530 - 536 | 779.560 | 779.530 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.3681 | +0.0087 | 676 - 683 | 1.3683 | 1.3640 | 1.3694 | -0.2 | 1.369 | -0.3 | 1.3745 | -0.5 | 84.8 |
| Mexico | (New Peso) | 3.3000 | +0.003 | 950 - 050 | 3.3050 | 3.2950 | 3.3016 | -0.6 | 3.3044 | -0.5 | 3.318 | -0.5 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 101.0 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.4035 | +0.0022 | 025 - 045 | 1.4047 | 1.3992 | 1.4045 | -0.9 | 1.4074 | -1.1 | 1.4149 | -0.8 | 87.7 |
| Hong Kong | (HK$) | 7.7265 | +0.0014 | 260 - 270 | 7.7270 | 7.7255 | 7.7272 | -0.1 | 7.7312 | -0.2 | 7.75 | -0.3 | - |
| India | (Rs) | 31.3700 | -0.0013 | 675 - 725 | 31.3750 | 31.3675 | 31.435 | -2.5 | 31.57 | -2.8 | - | - | - |
| Japan | (Y) | 105.695 | -0.055 | 670 - 720 | 106.050 | 105.570 | 105.58 | 1.2 | 105.29 | 1.5 | 103.505 | 2.1 | 145.0 |
| Malaysia | (M$) | 2.7168 | -0.0097 | 163 - 173 | 2.7259 | 2.7163 | 2.7108 | 2.7 | 2.6943 | 3.3 | 2.7668 | -1.8 | - |
| New Zealand | (NZ$) | 1.7411 | +0.008 | 400 - 422 | 1.7422 | 1.7269 | 1.7427 | -1.1 | 1.7472 | -1.4 | 1.7614 | -1.2 | - |
| Philippines | (Peso) | 27.5750 | - | 000 - 500 | 27.7500 | 27.4000 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 3.7496 | -0.0004 | 494 - 498 | 3.7498 | 3.7494 | 3.752 | -0.8 | 3.7583 | -0.7 | 3.7751 | -0.7 | - |
| Singapore | (S$) | 1.5817 | -0.0036 | 612 - 822 | 1.5854 | 1.5812 | 1.5817 | 0.0 | 1.5817 | 0.0 | 1.6052 | -1.5 | - |
| S Africa (Com.) | (R) | 3.4288 | -0.0215 | 280 - 295 | 3.4525 | 3.4265 | 3.4431 | -5.0 | 3.4721 | -5.1 | 3.5683 | -4.1 | - |
| S Africa (Fin.) | (R) | 4.5550 | -0.01 | 500 - 600 | 4.5800 | 4.5375 | 4.586 | -8.2 | 4.65 | -8.3 | - | - | - |
| South Korea | (Won) | 808.650 | +0.4 | 500 - 800 | 806.800 | 806.100 | 809.85 | -4.5 | 813.15 | -3.2 | 831.85 | -3.1 | - |
| Taiwan | (T$) | 26.4150 | - | 100 - 200 | 26.4400 | 26.4100 | 26.5175 | -4.7 | 26.685 | -3.9 | - | - | - |
| Thailand | (Bt) | 25.3050 | -0.01 | 000 - 100 | 25.3100 | 25.3000 | 25.375 | -3.3 | 25.515 | -3.3 | 25.855 | -1.4 | - |

†SDR rate for Mar 16. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan indices shown for Mar 16. Base average 1990=100

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Mar.17 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 19.02 | 16.54 | 4.854 | 2.003 | 4795 | 5.454 | 21.05 | 499.5 | 398.8 | 22.57 | 4.129 | 1.929 | 3.953 | 2.890 | 305.4 | 2.514 |
| Denmark | (DKr) | 52.58 | 10 | 8.698 | 2.553 | 1.053 | 2521 | 2.868 | 11.07 | 262.7 | 209.7 | 11.87 | 2.171 | 1.015 | 2.079 | 1.520 | 160.6 | 1.322 |
| France | (FFr) | 60.45 | 11.50 | 10 | 2.934 | 1.211 | 2898 | 3.297 | 12.72 | 302.0 | 241.1 | 13.65 | 2.496 | 1.168 | 2.390 | 1.747 | 184.6 | 1.520 |
| Germany | (DM) | 20.60 | 3.916 | 3.408 | 1 | 0.413 | 987.7 | 1.124 | 4.336 | 102.8 | 82.15 | 4.650 | 0.851 | 0.397 | 0.814 | 0.595 | 62.92 | 0.516 |
| Ireland | (I£) | 46.93 | 6.496 | 8.260 | 2.424 | 1 | 2394 | 2.724 | 10.51 | 249.4 | 199.1 | 11.27 | 2.062 | 0.963 | 1.974 | 1.443 | 152.5 | 1.255 |
| Italy | (L) | 2.086 | 0.397 | 0.345 | 0.101 | 0.042 | 100. | 0.114 | 0.439 | 10.42 | 8.318 | 0.471 | 0.086 | 0.040 | 0.082 | 0.060 | 6.370 | 0.052 |
| Netherlands | (Fl) | 18.33 | 3.487 | 3.033 | 0.890 | 0.367 | 879.0 | 1 | 3.859 | 91.58 | 73.12 | 4.138 | 0.757 | 0.354 | 0.725 | 0.530 | 56.00 | 0.461 |
| Norway | (NKr) | 47.51 | 9.035 | 7.859 | 2.306 | 0.951 | 2278 | 2.591 | 10 | 237.3 | 189.5 | 10.72 | 1.962 | 0.917 | 1.878 | 1.373 | 145.1 | 1.194 |
| Portugal | (Es) | 20.02 | 3.807 | 3.312 | 0.972 | 0.401 | 959.5 | 1.092 | 4.214 | 100. | 79.84 | 4.519 | 0.827 | 0.386 | 0.791 | 0.579 | 61.14 | 0.503 |
| Spain | (Pta) | 25.07 | 4.769 | 4.148 | 1.217 | 0.502 | 1202 | 1.368 | 5.278 | 125.3 | 100. | 5.660 | 1.035 | 0.484 | 0.991 | 0.725 | 76.58 | 0.630 |
| Sweden | (SKr) | 44.30 | 8.425 | 7.328 | 2.150 | 0.887 | 2124 | 2.416 | 9.325 | 221.3 | 176.7 | 10 | 1.829 | 0.855 | 1.751 | 1.280 | 135.3 | 1.114 |
| Switzerland | (SFr) | 24.22 | 4.606 | 4.007 | 1.176 | 0.485 | 1161 | 1.321 | 5.098 | 121.0 | 96.59 | 5.467 | 1 | 0.467 | 0.957 | 0.700 | 73.97 | 0.609 |
| UK | (£) | 51.83 | 9.857 | 8.574 | 2.516 | 1.038 | 2485 | 2.827 | 10.61 | 258.9 | 206.7 | 11.70 | 2.140 | 1 | 2.048 | 1.498 | 158.3 | 1.303 |
| Canada | (C$) | 25.30 | 4.811 | 4.194 | 1.228 | 0.507 | 1213 | 1.380 | 5.326 | 126.4 | 100.9 | 5.710 | 1.044 | 0.488 | 1 | 0.731 | 77.26 | 0.636 |
| US | ($) | 34.60 | 6.580 | 5.724 | 1.680 | 0.693 | 1659 | 1.887 | 7.283 | 172.8 | 138.0 | 7.610 | 1.429 | 0.668 | 1.368 | 1 | 105.7 | 0.870 |
| Japan | (Y) | 327.4 | 62.27 | 54.18 | 15.89 | 6.557 | 15696 | 17.89 | 68.92 | 1636 | 1306 | 73.91 | 13.52 | 6.317 | 12.94 | 9.463 | 1000. | 8.231 |
| Ecu | | 39.76 | 7.565 | 6.580 | 1.931 | 0.787 | 1907 | 2.170 | 8.373 | 198.7 | 158.6 | 8.979 | 1.642 | 0.767 | 1.573 | 1.150 | 121.5 | 1 |

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 0.5895 | 0.5917 | +0.0022 | 0.5933 | 0.5881 | 43,972 | 67,182 |
| Sep | 0.5883 | 0.5899 | +0.0022 | 0.5914 | 0.5883 | 317 | 2,756 |
| Dec | - | 0.5895 | - | 0.5895 | - | 1 | 131 |

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 0.6977 | 0.6979 | +0.0005 | 0.7005 | 0.6925 | 19,610 | 32,745 |
| Sep | 0.6998 | 0.6987 | +0.0004 | 0.7015 | 0.6980 | 20 | 257 |
| Dec | - | 0.6999 | - | 0.7025 | 0.6999 | 2 | 37 |

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 0.9471 | 0.9485 | +0.0019 | 0.9508 | 0.9468 | 14,410 | 47,690 |
| Sep | 0.9550 | 0.9540 | +0.0036 | 0.9552 | 0.9540 | 163 | 1,642 |
| Dec | - | 0.9580 | - | 0.9580 | - | 14 | 403 |

■ STERLING FUTURES (IMM) £62,500 per £

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 1.4910 | 1.4928 | +0.0026 | 1.4948 | 1.4878 | 13,097 | 25,179 |
| Sep | - | 1.4900 | - | 1.4900 | - | 8 | 588 |
| Dec | - | 1.4880 | - | 1.4880 | - | - | - |

### EMS EUROPEAN CURRENCY UNIT RATES

| Mar 17 | Ecu cen. rates | Rate against Ecu | Change on day | % +/- from cen. rate | % spread v weakest | Div. ind. |
|---|---|---|---|---|---|---|
| Ireland | 0.808628 | 0.796249 | +0.000053 | -1.53 | 4.70 | 10 |
| Netherlands | 2.19672 | 2.17083 | -0.00058 | -1.18 | 4.32 | - |
| Belgium | 40.2123 | 39.7728 | -0.0137 | -1.09 | 4.23 | 8 |
| Germany | 1.94964 | 1.93135 | -0.00118 | -0.94 | 4.07 | - |
| France | 6.53883 | 6.57050 | +0.00064 | 0.48 | 2.60 | -4 |
| Denmark | 7.43679 | 7.55140 | +0.00246 | 1.54 | 1.53 | -11 |
| Spain | 154.250 | 158.676 | +0.033 | 2.87 | 0.22 | -20 |
| Portugal | 192.854 | 198.821 | -0.06 | 3.09 | 0.00 | -21 |
| NON ERM MEMBERS | | | | | | |
| Greece | 264.513 | 281.645 | +0.328 | 6.48 | -3.16 | - |
| Italy | 1793.19 | 1906.78 | +1.4 | 6.33 | -3.05 | - |
| UK | 0.786749 | 0.766902 | +0.001005 | -2.52 | 5.78 | - |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.

(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

| Strike Price | CALLS Apr | CALLS May | CALLS Jun | PUTS Apr | PUTS May | PUTS Jun |
|---|---|---|---|---|---|---|
| 1.400 | 9.32 | 9.25 | 9.30 | - | 0.06 | 0.24 |
| 1.425 | 6.83 | 7.00 | 7.16 | 0.01 | 0.24 | 0.55 |
| 1.450 | 4.81 | 4.81 | 5.24 | 0.16 | 0.94 | 1.08 |
| 1.475 | 2.61 | 3.14 | 3.60 | 0.66 | 1.35 | 1.82 |
| 1.500 | 1.22 | 1.65 | 2.36 | 1.73 | 2.49 | 3.06 |
| 1.525 | 0.45 | 0.97 | 1.43 | 3.40 | 4.05 | 4.61 |

Previous day's vol., Calls 7,457 Puts 7,316. Prev. day's open int., Calls 487,658 Puts 374,366

## WORLD INTEREST RATES

### MONEY RATES

| March 17 | Over night | One month | Three mths | Six mths | One year | Lomb. inter. | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Belgium | - | 6¼ | 6⅛ | 6⅛ | 6⅛ | 7.40 | 5.00 | - |
| week ago | - | 6¼ | 6⅛ | 6⅛ | 6⅛ | 7.40 | 5.00 | - |
| France | 6¼ | 6⅛ | 6⅛ | 6 | 5⅞ | 6.10 | - | 7.75 |
| week ago | 6⅛ | 6⅛ | 6⅛ | 6⅛ | 5⅞ | 6.10 | - | 7.75 |
| Germany | 5.75 | 5.85 | 5.75 | 5.58 | 5.38 | 6.75 | 5.25 | 5.88 |
| week ago | 6.00 | 5.85 | 5.85 | 5.65 | 5.43 | 6.75 | 5.25 | 5.94 |
| Ireland | 6¼ | 6¼ | 6⅛ | 6⅛ | 6⅛ | - | - | 6.75 |
| week ago | 6¼ | 6¼ | 6⅛ | 6⅛ | 6⅛ | - | - | 6.75 |
| Italy | 8¼ | 8¼ | 8¼ | 8⅛ | 8⅛ | - | 8.00 | 8.92 |
| week ago | 8¼ | 8¼ | 8¼ | 8¼ | 8¼ | - | 8.00 | 8.93 |
| Netherlands | 5.53 | 5.45 | 5.27 | 5.17 | 5.13 | - | 5.25 | - |
| week ago | 5.53 | 5.45 | 5.27 | 5.18 | 5.15 | - | 5.25 | - |
| Switzerland | 4 | 4¼ | 4¼ | 4 | 3⅞ | 6.625 | 4.00 | - |
| week ago | 4⅛ | 4¼ | 4¼ | 4¼ | 3⅞ | 6.625 | 4.00 | - |
| US | 3⅛ | 3½ | 3⅞ | 4¼ | 4½ | - | 3.00 | - |
| week ago | 3⅜ | 3½ | 3⅞ | 4¼ | 4½ | - | 3.00 | - |
| Japan | 2⅛ | 2⅛ | 2¼ | 2¼ | 2⅜ | - | 1.75 | - |
| week ago | 2⅛ | 2⅛ | 2¼ | 2¼ | 2⅜ | - | 1.75 | - |
| ■ $ LIBOR FT London | | | | | | | | |
| Interbank Fixing | - | 3⅝ | 3⅞ | 4⅛ | 4⅝ | - | - | - |
| week ago | - | 3⅝ | 3⅞ | 4⅛ | 4⅝ | - | - | - |
| US Dollar CDs | - | 3.44 | 3.64 | 3.91 | 4.31 | - | - | - |
| week ago | - | 3.44 | 3.68 | 3.97 | 4.38 | - | - | - |
| SDR Linked Ds | - | 3⅞ | 3⅞ | 3⅞ | 4 | - | - | - |
| week ago | - | 3⅞ | 3⅞ | 3⅞ | 4 | - | - | - |

ECU Linked Ds mid rates: 1 mth: 6⅛; 3 mths: 6⅛; 6 mths: 6; 1 year: 5⅞. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

### EURO CURRENCY INTEREST RATES

| Mar 17 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Belgian Franc | 6¼ - 6⅛ | 6¼ - 6⅛ | 6⅜ - 6¼ | 6⅛ - 6 | 6⅛ - 5⅞ | 6⅛ - 5⅞ |
| Danish Krone | 5½ - 5½ | 6¼ - 6 | 6¼ - 6 | 6⅛ - 5⅞ | 6⅛ - 5⅞ | 5⅞ - 5⅝ |
| D-Mark | 5⅞ - 5¾ | 5¾ - 5¾ | 5¾ - 5¾ | 5⅝ - 5⅝ | 5⅝ - 5⅝ | 5½ - 5⅜ |
| Dutch Guilder | 5⅝ - 5½ | 5⅜ - 5⅜ | 5½ - 5⅜ | 5⅜ - 5⅜ | 5¼ - 5⅛ | 5⅛ - 5⅛ |
| French Franc | 6⅜ - 6¼ | 6⅜ - 6⅜ | 6⅜ - 6¼ | 6⅛ - 6⅛ | 6⅛ - 5⅞ | 5⅞ - 5¾ |
| Portuguese Esc. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Spanish Peseta | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sterling | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Swiss Franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Can. Dollar | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| US Dollar | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Italian Lira | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Yen | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Asian $Sing | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 94.25 | 94.16 | -0.07 | 94.28 | 94.16 | 38,693 | 87,240 |
| Sep | 94.56 | 94.50 | -0.05 | 94.60 | 94.50 | 9,671 | 44,589 |
| Dec | 94.73 | 94.69 | -0.04 | 94.78 | 94.67 | 13,306 | 31,924 |
| Mar | 94.67 | 94.78 | -0.06 | 94.88 | 94.77 | 5,792 | 35,869 |

■ THREE MONTH EURODOLLAR (LIFFE) $1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 95.72 | 95.72 | +0.03 | 95.72 | 95.72 | 140 | 4449 |
| Sep | 95.31 | 95.33 | +0.04 | 95.31 | 95.30 | 101 | 2031 |
| Dec | 94.91 | 94.93 | +0.05 | 94.91 | 94.90 | 135 | 1381 |
| Mar | - | 94.70 | +0.06 | - | - | 0 | 531 |

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 94.59 | 94.52 | -0.05 | 94.60 | 94.51 | 64962 | 255933 |
| Sep | 94.69 | 94.60 | -0.05 | 94.88 | 94.77 | 48555 | 182291 |
| Dec | 95.07 | 94.99 | -0.06 | 95.08 | 94.96 | 28331 | 151887 |
| Mar | 95.16 | 95.07 | -0.06 | 95.18 | 95.05 | 13530 | 122558 |

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 91.93 | 91.85 | -0.06 | 91.96 | 91.84 | 6654 | 57848 |
| Sep | 92.20 | 92.12 | -0.05 | 92.21 | 92.11 | 1180 | 29179 |
| Dec | 92.35 | 92.28 | -0.04 | 92.36 | 92.27 | 1806 | 39605 |
| Mar | 92.36 | 92.31 | -0.03 | 92.36 | 92.31 | 555 | 2686 |

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 96.20 | 96.11 | -0.07 | 96.20 | 96.10 | 6366 | 30618 |
| Sep | 96.25 | 96.20 | -0.03 | 96.25 | 96.19 | 1363 | 7297 |
| Dec | 96.17 | 96.14 | +0.03 | 96.16 | 96.11 | 111 | 4860 |
| Mar | 96.05 | 96.05 | +0.02 | 96.05 | 96.02 | 13 | 66 |

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 94.21 | 94.13 | -0.07 | 94.21 | 94.12 | 1613 | 11068 |
| Sep | 94.44 | 94.38 | -0.04 | 94.44 | 94.37 | 1111 | 10093 |
| Dec | 94.57 | 94.51 | -0.02 | 94.58 | 94.50 | 503 | 6600 |
| Mar | 94.56 | 94.54 | -0.02 | 94.60 | 94.53 | 72 | 326 |

* LIFFE futures traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 95.72 | 95.71 | - | 95.73 | 95.69 | 137,105 | 497,206 |
| Sep | 95.32 | 95.30 | -0.01 | 95.32 | 95.29 | 112,018 | 372,042 |
| Dec | 94.91 | 94.89 | -0.01 | 94.91 | 94.88 | 52,073 | 285,072 |

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 96.11 | 96.10 | - | 96.12 | 96.10 | 3,542 | 34,712 |
| Sep | 95.75 | 95.75 | - | 95.75 | 95.75 | 933 | 6,226 |
| Dec | - | 95.43 | +0.05 | - | - | 92 | 2,206 |

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

| Strike Price | CALLS Jun | CALLS Sep | CALLS Dec | PUTS Jun | PUTS Sep | PUTS Dec |
|---|---|---|---|---|---|---|
| 9450 | 0.12 | 0.39 | 0.58 | 0.10 | 0.09 | 0.09 |
| 9475 | 0.04 | 0.23 | 0.41 | 0.27 | 0.16 | 0.17 |
| 9500 | 0.02 | 0.12 | 0.27 | 0.50 | 0.32 | 0.28 |

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

| Strike Price | CALLS Jun | CALLS Sep | CALLS Dec | PUTS Jun | PUTS Sep | PUTS Dec |
|---|---|---|---|---|---|---|
| 9600 | 0.19 | 0.30 | 0.32 | 0.08 | 0.10 | 0.18 |
| 9625 | 0.06 | 0.15 | 0.16 | 0.22 | 0.20 | 0.29 |
| 9650 | 0.02 | 0.07 | 0.08 | 0.43 | 0.36 | 0.45 |

Est. vol. total, Calls 0 Puts 100. Previous day's open int., Calls 463 Puts 600

## UK INTEREST RATES

### LONDON MONEY RATES

| Mar 17 | Over-night | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Interbank Sterling | 6⅛ - 4¼ | 5⅛ - 4⅞ | 5⅛ - 6 | 5⅛ - 5⅛ | 5⅞ - 5⅛ | 5⅞ - 5⅞ |
| Sterling CDs | - | - | 5⅜ - 5⅜ | 5⅛ - 5⅛ | 5⅞ - 5⅜ | 5⅞ - 5⅞ |
| Treasury Bills | - | - | 4⅞ - 4⅞ | 4⅞ - 4⅞ | - | - |
| Bank Bills | - | - | 4⅞ - 4⅞ | 4⅞ - 4⅞ | 4⅞ - 4⅞ | - |
| Local authority deps. | 4⅞ - 4⅞ | 4⅞ - 4⅞ | 5⅛ - 5 | 5⅛ - 5 | 5⅛ - 5 | 5⅞ - 5⅛ |
| Discount market deps. | 5½ - 4¼ | 4⅞ - 4⅞ | - | - | - | - |

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

| | Up to 1 month | 1-3 month | 3-6 months | 6-9 months | 9-12 months |
|---|---|---|---|---|---|
| Certs of Tax dep. (£100,000) | 1½ | 4 | 3¾ | 3¾ | 3½ |

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 4.7681pc. ECGD fixed rate Stlg. Export Finance. Make up day February 28, 1994. Agreed rate for period Mar 26, 1994 to Apr 25, 1994, Schemes II & III 6.50pc. Reference rate for period Feb 1, 1994 to Feb 28, 1994, Schemes IV & V 5.285pc. Finance House Base Rate 5½pc from Mar 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 94.89 | 94.85 | -0.02 | 94.90 | 94.84 | 17316 | 118678 |
| Sep | 94.77 | 94.73 | -0.02 | 94.79 | 94.71 | 9886 | 73441 |
| Dec | 94.58 | 94.50 | -0.02 | 94.58 | 94.46 | 10948 | 100370 |
| Mar | 94.25 | 94.20 | -0.02 | 94.28 | 94.17 | 6194 | 30528 |

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

| Strike Price | CALLS Jun | CALLS Sep | CALLS Dec | PUTS Jun | PUTS Sep | PUTS Dec |
|---|---|---|---|---|---|---|
| 9475 | 0.17 | 0.21 | 0.16 | 0.07 | 0.23 | 0.44 |
| 9500 | 0.06 | 0.10 | 0.10 | 0.21 | 0.37 | 0.60 |
| 9525 | 0.01 | 0.04 | 0.05 | 0.41 | 0.56 | 0.80 |

Est. vol. total, Calls 2245 Puts 2945. Previous day's open int., Calls 112619 Puts 118904

## BASE LENDING RATES

[illegible]

# MONEY MARKET FUNDS

## Money Market Trust Funds

[illegible]

## Money Market Bank Accounts

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# WORLD STOCK MARKETS

## EUROPE

AUSTRIA (Mar 17 / Sch)

BELGIUM/LUXEMBOURG (Mar 17 / Frs.)

DENMARK (Mar 17 / Kr)

FINLAND (Mar 17 / Mks)

FRANCE (Mar 17 / Frs.)

GERMANY (Mar 17 / Dm.)

ITALY (Mar 17 / Lire)

NETHERLANDS (Mar 17 / Fls.)

NORWAY (Mar 17 / Kroner)

SPAIN (Mar 17 / Pts)

SWEDEN (Mar 17 / Kronor)

SWITZERLAND (Mar 17 / Frs.)

## PACIFIC

JAPAN (Mar 17 / Yen)

HONG KONG (Mar 17 / H.K.$)

MALAYSIA (Mar 17 / MYR)

SINGAPORE (Mar 17 / S$)

AUSTRALIA (Mar 17 / Aust$)

## NORTH AMERICA

CANADA

TORONTO (Mar 17 / Can $) 4 pm close

MONTREAL (Mar 17 / Can $) 4 pm close

## AFRICA

SOUTH AFRICA (Mar 17 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are 1993-94, except Toronto & Montreal (daily). ¶ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Thursday, March 17, 1994

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Nippon Steel | 13.9m | 360 | +4 | Honshu Paper | 8.3m | 770 | +48 |
| Kawasaki Steel | 13.6m | 378 | +5 | Fujitsu | 7.4m | 1,080 | +30 |
| NEC | 9.8m | 1,110 | +30 | Kobe Steel | 5.8m | 293 | +5 |
| NKK | 9.4m | 264 | +2 | Sanyo Electric | 5.8m | 510 | -2 |
| Hitachi | 9.2m | 970 | +13 | Mitsubishi Kasei | 5.5m | 490 | |

## INDICES

## US INDICES

■ RATIOS

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

■ NEW YORK ACTIVE STOCKS

■ TRADING ACTIVITY

■ CAC-40 STOCK INDEX FUTURES (MATIF)

Sat Mar 17: Taiwan Weighted Price 5271.10, Korea Comp Ex 903.42. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000, JSE Gold - 256.7, JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ‡ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Mar 17 - 2180.45 -7.66

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.


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All requirements related to the Public Announcement number 9-574-001-94 must be complied with by the interested companies.

Further information will be available at:

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**(1974 Issue)**

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London, 18th March 1994.

4 pm close March 17

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 1993/94 High | Low | Stock | Div | Yld. % | P/ E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 17⅛ | 11½ | AAR | 0.48 | 2.9 | 58 | 75 | 17 | 16¾ | 16¾ | -⅛ |
| 29⅞ | 12¾ | A L Labs A | 0.16 | 1.1 | 37 | 513 | 16¼ | 16⅛ | 16⅛ | -⅛ |
| 67¼ | 54⅝ | AMP | 1.68 | 2.6 | 22 | 2407 | 63⅞ | 63⅜ | 63¾ | +⅛ |

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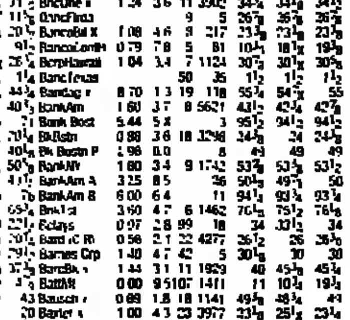

8 Times Power Zoom Palm-Size

SAMSUNG ELECTRONICS

Continued on next page

4 pm close March 17

# NYSE COMPOSITE PRICES

| 1993/94 High | Low | Stock | Div. | Yld. % | P/ E | Sls 100s | High | Low | Close Quote | Chng. Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| Continued from previous page | | | | | | | | | | |
| 29⅝ | 18⅞ | Safeg'd Sc | | | 13 | 162 | u30 | 29⅝ | 29¾ | +⅛ |
| 24¾ | 13⅛ | SftyKl x | 0.36 | 2.8 | 7 | 464 | 14⅛ | 13⅞ | 14 | |
| 26¼ | 16⅞ | Safeway | | | 23 | 582 | 25⅝ | 25⅛ | 25⅝ | +⅝ |
| 8¼ | 2 | SafewayW96 | | | | 247 | 6 | 5⅞ | 6 | +⅛ |
| 57 | 37½ | StJoePaper | 0.30 | 0.4 | 300 | 127 | u57½ | 55¾ | 57 | |
| 37⅞ | 28 | StJoeL&P | 1.80 | 6.1 | 15 | 13 | 29⅞ | 29⅝ | 29¾ | |
| 98 | 75 | StPaul | 3.00 | 3.7 | 8 | 1320 | 81¾ | 80½ | 80⅝ | -1¼ |
| 11⅛ | 6⅛ | Salant Crp | | | 10 | 45 | 8¼ | 8 | 8 | -¼ |
| 75¼ | 39⅞ | Sallie Mae | 1.40 | 3.1 | 9 | 1592 | 45⅞ | 45⅛ | 45½ | +⅝ |
| 14⅞ | 12⅝ | Salomon Br | 0.34 | 2.5 | | 107 | 13½ | 13⅜ | 13½ | +⅛ |
| 52¾ | 34 | Salomon s | 0.64 | 1.2 | 7 | 1808 | 52½ | 51⅞ | 52¼ | +¼ |
| 27¼ | 22⅝ | SnDgGE x | 1.52 | 6.6 | 12 | 177 | 23¼ | 23 | 23⅛ | +⅜ |
| 11⅞ | 6⅜ | SantaFeEts | 0.16 | 1.7 | 16 | 1218 | 9⅝ | 9½ | 9⅝ | +⅝ |
| 40¾ | 35¾ | SantaFePac | 2.80 | 7.2 | 18 | 38 | 39⅛ | 38⅞ | 38⅞ | -¼ |
| 30¼ | 12¼ | SanFeP | 0.10 | 0.4 | 13 | 3332 | 24⅜ | 24 | 24⅛ | +¼ |
| 31⅜ | 21 | SaraLee | 0.64 | 2.9 | 14 | 11326 | 22½ | 21¾ | 21¾ | -⅜ |
| 52¼ | 40⅛ | Scana Corp x | 2.82 | 6.0 | 12 | 414 | 46⅞ | 46½ | 46¾ | +¼ |
| 25¾ | 16⅞ | Scecorp | 1.42 | 8.2 | 12 | 10654 | 17½ | d16⅞ | 17⅝ | +½ |
| 40½ | 23⅞ | ScheringP | | | 28 | 520 | 40⅜ | 40 | 40¼ | +¼ |
| 71 | 51¼ | SchrPl | 1.00 | 5.0 | 14 | 4739 | 59¾ | 58⅝ | 59¼ | +1⅛ |
| 68⅞ | 54⅞ | Schlmb | 1.20 | 2.1 | 24 | 7873 | 58¾ | 57⅞ | 58½ | +⅝ |
| 38⅞ | 18½ | SchwabCh | 0.28 | 0.9 | 14 | 1507 | 31¼ | 30⅛ | 30⅜ | -⅞ |
| 9⅝ | 5⅜ | Schwitzer | | | 25 | 63 | 6⅞ | 6½ | 6¾ | +⅛ |
| 38⅞ | 17¾ | SciAtl | 0.12 | 0.4 | 62 | 1094 | 31¾ | 31 | 31⅜ | +¼ |
| 18⅞ | 8⅛ | Scotman | 0.10 | 0.7 | 14 | 123 | 15⅜ | 15¼ | 15¼ | -⅛ |
| [illegible] | | | | | | | | | | |

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Telekurs

# AMEX COMPOSITE PRICES

4 pm close March 17

| Stock | Div. | P/ E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

# NASDAQ NATIONAL MARKET

4 pm close March 17

| Stock | Div. | P/ E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

- B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -


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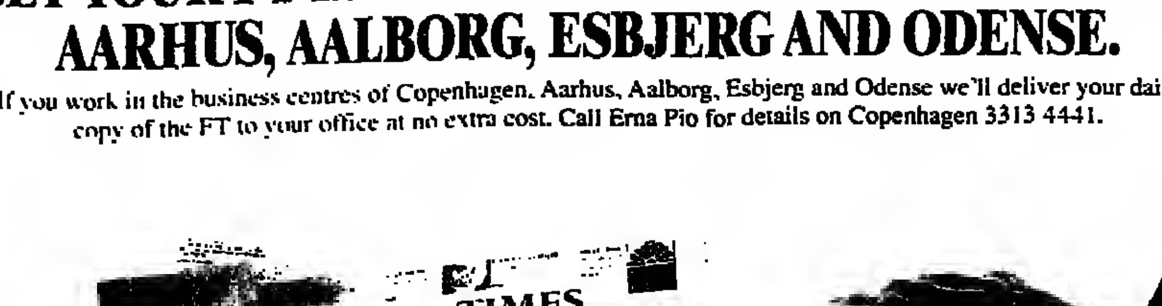


AMERICA

# Philadelphia Fed data provide some support

## Wall Street

US share prices were mixed after an incipient rally on the bond market fizzled out, but advancing technology stocks pushed the Nasdaq into record territory, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 2.01 lower at 3,846.14, while the more broadly based Standard & Poor's 500 eased 0.27 to 469.15. In the secondary markets, the American SE composite inched 0.23 ahead to 470/05. The Nasdaq composite was 2.39 better at 801.38, just above the all-time closing high of 800.48 reached on January 31.

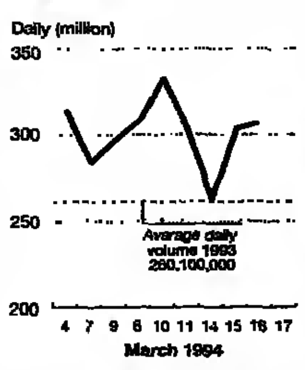
Equity prices moved steadily ahead in early trading, supported by comforting data from the Federal Reserve of Philadelphia. Its March business outlook survey showed a moderating growth trend in the region, and a significant decline in prices paid by manufacturers.

The news set off a flurry of buying in the benchmark 30-year Treasury bond, which had rebounded in the previous two days on a series of data suggesting that inflation was in check.

But the long bond's rally could not be sustained. As a result, the modest advance in share prices eroded. Most of the Dow industrials entered the afternoon session showing little change on the day.

There were exceptions. Alcoa climbed $1¼ to $75, while General Electric fell $1 to $102⅞.

Among the airlines, AMR, parent of American Airlines,




shed $1⅝ to $62⅞ after warning that it expected a loss greater than Wall Street's estimate of 24 cents a share. Elsewhere in the sector, Delta dropped $1 to $49½ and UAL, United Airline's parent, by $1⅝ to $130.

In other transport-related issues, Airborne Freight fell $1¼ to $36⅞ while Federal Express, its rival in the package delivery business, lost $1¼ at $70⅞.

Amoco, up $1⅛ at $55⅞, and US Surgical, $1¼ ahead at $19⅞, continued to rise on expectations that their 1994 performances would show improvement.

On the Nasdaq, Lotus Development surged $3⅞ to $83⅞ after announcing a marketing and development agreement with AT&T. Intel gained $1⅛ to $73 and Aldus $1¼ to $33⅞.

## Brazil

Shares in São Paulo recovered early losses as confidence returned following disappointment after hours on Wednesday that the IMF had yet to agree a stand-by loan for the country. At midsession the Bovespa index was up 287 or 2 per cent at 14,371, having earlier dipped to a session low of 13,625.

On Wednesday the index rose 4.2 per cent ahead of the IMF announcement.

## Canada

Toronto stocks edged higher at midday, led by gains in the mining, energy and forestry product sectors, offsetting losses in gold and pipelines.

The TSE 300 composite index climbed 7.40 to 4,533.00.

# Political reform sustains Milan bourse

### Analysts are positive ahead of this month's general election, writes **Michael Morgan**

The Italian equity market, one of Europe's best performers last year, has been looking remarkably resilient as the country prepares to go to the polls on March 27 and 28, for what is arguably the most important general election since 1945.

The Comit index posted a 38 per cent advance during 1993, as heavy domestic demand was augmented by buying from the UK, Germany and France.

US investors have joined the fray this year and the market has risen a further 9.9 per cent, boosted by the successful privatisations of the IMI financial services group and Banca Commerciale Italiana, and the planned fusion and privatisation later this year of the telecommunications sector, a long time favourite with foreign investors.

But turnover, while still high, has slipped this month from the record levels seen in February when it surged to a daily average of almost L955bn, peaking at around L1,200bn on some trading days.

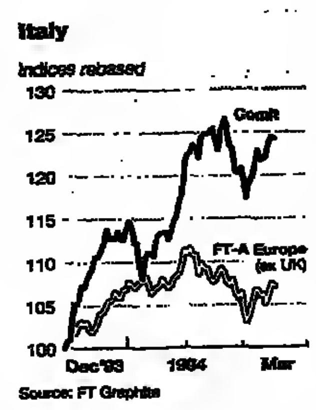
Last year's strong performance took place against an unpromising background of political uncertainty and the fast unfolding and widening corruption scandal.

Few doubt that the market faces a period of uncertainty while the new coalition government, whatever its ultimate composition, finds its feet.

However, most analysts are positive on the medium term outlook. Mr Lorenzo Stanca at Credito Italiano expects that the generally acknowledged need for constitutional reform will trigger the formation of a broad coalition, but not perhaps for 45 to 60 days after the polls, as parties jockey for position.

He says that the next cabinet will have room to continue the policy of cutting the budget deficit begun by the Amato and Ciampi administrations. The financial markets, he expects, will react negatively in the immediate aftermath of the election, before picking up again as the identity of the new government becomes clearer.

Mr Nicholas Potter, his col-




league, expects to see the Comit index up at the 760 level within a year, from 680 yesterday. He says the economic picture facing the incoming administration will include inflation falling as a result of structural changes in the labour, service and retail markets.

However, he thinks that the official target of 2.5 per cent inflation by the end of this year, compared with last month's provisional 4.2 per cent, is optimistic.

Mr Potter adds that service sector employment is falling rapidly for the first time in nearly 20 years, which will leave consumption flat in 1994; and he thinks the aim of reducing the public sector borrowing requirement as a proportion of gross domestic product will need to be achieved through spending cuts rather than new taxes, which are already becoming unbearably high.

Mr Fabio Basagni of Actinvest, an independent research group, sees no reason to change his forecast of a rise to around the 800 level in the Comit index by August, before the market stages its traditional reversal during the autumn as complex negotiations get under way for the 1995 finance bill.

He expects a moderate, centre right-inspired coalition government to emerge from the election and believes that the equity market has already decided that this would be a vast improvement on previous administrations.

The market, he says, will continue to be driven by strong liquidity, the accelerating privatisation process, the positive outlook for the lira and the strength and speed of an export-led economic recovery.

Mr Mark Howdle at JP Morgan expects Italy to be the strongest performer among the main European markets this year, and he believes that shares could rise by a further 35 per cent over the coming 12 to 18 months, taking the Comit index above its life-time high of 908 set in May 1986.

"Italy's partial catch-up with other European markets over the past 16 months was a period of rehabilitation, when a chronically underperforming market began to react to prospects of structural reform in Italian society," he says. But this year and next should be a period of "rerating", in which its financial markets adjust more fully to the radical political and economic changes already achieved, as well as those still to come.

EUROPE

# Continent weakens after Buba holds ground

Bourses were mildly higher in the morning, but tended to ease after the Bundesbank left key interest rates unchanged, *writes Our Markets Staff.*

**FRANKFURT** led the way with the Dax index 2.33 higher at 2,175.06 on the session, but falling to 2,160.45 as bund and index futures weakened in the afternoon. Turnover fell from DM9.7bn to DM8bn.

Financials, which had risen earlier this week on interest rate hopes, came back on the Buba news, Deutsche Bank weakening from a close of DM823 to DM808.50. Chemicals were also weak after gains earlier in the day, and there was a suggestion of nervousness ahead of today's "triple-witching" expiry of stock and Dax future options.

BMW came in the afternoon with a one-for-eleven rights issue and a comparatively gentle fall in 1993 profits, according to Mr Christopher Will at Lehman Brothers, who noted the comparison with Volkswagen's DM1.9bn loss, confirmed at around the same time. The rights issue took BMW down to DM855 at one point from its earlier close of DM871, before the profits brought it back to DM859.50 at the end of the day.

Lufthansa had a better reception for a substantially reduced parent company loss for 1993, which took the shares in the airline up DM2 to DM197 in floor trading. In specialty chemicals, Beiersdorf jumped DM26, or 3.1 per cent to DM878 on a better than expected 13 per cent rise in net profits.

**PARIS** remained in positive territory, although the CAC-40 index ended off the day's high of 2,260.60 with a rise of 5.13 to 2,247.84. Turnover was a little under FFr6bn.

LVMH and its associates were the day's main story as the luxury goods group pleased the market with its results, lifting the shares FFr208 or 5 per cent to FFr4,389.

The effect rubbed off on associates Christian Dior, up FFr16.4 or 4.4 per cent at FFr389.90 and Bon Marche, the supermarket chain, up FFr41 or 5.3 per cent at FFr809.

Merrill Lynch, in a note issued earlier this week, upgraded LVMH from neutral to above average, reckoning that after two years of underperformance, all the bad news was out.

**AMSTERDAM** closed slightly lower in line with the trend elsewhere on the continent, the AEX index slipping just 0.74 to 424.50 after an earlier session high of 427.84.

Results came in from Elsevier, Hoogovens, and Ahold; the first two fell back and the latter rose against the trend.

Elsevier was one of the day's biggest fallers, off Fl 4.30 at Fl177.40, although its results came broadly in line with expectations. Some brokers expressed disappointment over its cautious forecast for 1994.

Hoogovens off Fl 1.20 at Fl 64.80, suffered on news of a convertible bond launch, while Ahold, the retailer, up 50 cents at Fl 51.30, pleased investors with its forecast of improved earnings in 1994.

**MILAN** pulled ahead on the first day of the April account amid strong demand for industrials as investors began to focus on the prospects for improved 1994 corporate results. The Comit index rose 3.85 to 680.60.

BCI opened at L5,900 as the new shares, sold at L5,400 in the bank's privatisation, were admitted to the market. The shares closed at L5,898, a net fall of L149 for the old shares, trading ex-dividend. The shares were sold on the open outcry system early in the day to cope with a flood of profit-taking by small investors on their privatisation allocations.

Pirelli, seen as a recent underperformer, rose L126 or 5.5 per cent to L2,428, helped by recurrent talk that the group could be considering making a capital increase.

Stet added L58 to L4,993 in response to comments by the industry minister that he hoped a merchant bank would be appointed before the elections at the end of the month to advise on the privatisation.

**ZURICH** marked time in moderate volume as investors adjusted positions ahead of today's expiry of Soffex options and futures. The SMI index edged 0.6 higher to 2,887.7, restrained by a SFr19 loss to SFr1,250 by the heavily weighted Nestlé and a SFr12 fall to SFr628 by Ciba.

Schindler certificates rose SFr60 or 3.7 per cent to SFr1,670 as the elevator producer announced better than expected 1993 results. SMH bearers bounced SFr34 to SFr870 on the view that Wednesday's fall had been overdone.

**MADRID'S** general index ended just 0.20 lower at 339.97. Continente, the hypermarket operator, closed at Pta2,720 on its market debut against an offer price of Pta2,650.

Written and edited by William Cochrane, John Pitt and Michael Morgan

**FT-SE Actuaries Share Indices**

| Mar 17 | | | | | THE EUROPEAN SERIES | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
| FT-SE Eurotrack 100 | 1466.94 | 1471.03 | 1470.82 | 1479.05 | 1469.87 | 1463.09 | 1462.84 | 1461.88 |
| FT-SE Eurotrack 200 | 1506.28 | 1510.02 | 1509.85 | 1516.62 | 1511.75 | 1502.86 | 1503.11 | 1503.38 |
| | Mar 16 | Mar 15 | Mar 14 | Mar 11 | Mar 10 | | | |
| FT-SE Eurotrack 100 | 1466.26 | 1469.35 | 1464.59 | 1471.65 | 1448.26 | | | |
| FT-SE Eurotrack 200 | 1504.22 | 1513.24 | 1495.66 | 1471.59 | 1484.35 | | | |

Base value 1000 (26/10/90); High/day: 100 - 1471.69; 200 - 1512.47 Low/day: 100 - 1461.74 200 - 1501.21.

ASIA PACIFIC

# Fall in Hong Kong puts selling pressure on region

## Tokyo

Although heavy profit-taking ahead of the March 31 book closing depressed share prices, the Nikkei 225 average was finally only marginally lower as some of the losses were eroded by foreign investors' purchases of large-capital blue chip issues, *writes Emiko Terazono in Tokyo.*

The Nikkei lost 85.61 at 20,592.16 after a day's high of 20,692.97 and low of 20,449.44. Corporate selling pressured prices from the start, but the index fluctuated in a narrow range during the afternoon, supported by bargain hunting.

Volume amounted to 570m shares, against 629m. Traders forecast that corporate and institutional profit-taking would last to the end of the month, but also noted growing investor confidence.

Declines led rises by 598 to 427, with 163 issues unchanged. The Topix index of all first section stocks shed 4.74 to 1,648.53 and the Nikkei 300 was 0.91 easier at 303.12. But in London the ISE/Nikkei 50 index gained 3.40 at 1,368.13.

Steels continued to be bought by foreign investors. Nippon Steel, the most active issue of the day, rose Y4 to Y360 and Kawasaki Steel moved up Y5 to Y378.

Overseas investors also purchased blue chip high-technology stocks, Hitachi strengthening Y13 to Y970 and NEC Y30 to Y1,110.

Trading houses were higher on reports of their entry into the multimedia industry through cable television. Mitsubishi gained Y30 at Y1,130 and Nissho Iwai Y11 at Y484.

Profit-taking depressed car shares. Toyota Motor receded Y10 to Y2,100 and Nissan Motor Y16 to Y897.

Construction issues were also lower, with Obbayashi down Y23 to Y660 and Tobishima falling Y11 to Y517.

Department stores, which are expected to report weak earnings, lost ground, with Mitsukoshi retreating Y13 to Y942.

Some individuals and dealers targeted speculative stocks. Honshu Paper forged ahead Y48 to Y770 and Keisei Electric Railway Y36 to Y1,010.

In Osaka, the OSE average slipped 42.78 to 22,545.16 in volume of 156m shares.

## Roundup

A sharp fall in Hong Kong affected neighbouring markets, although some rises were recorded further afield.

**HONG KONG** shed 2.1 per cent, led by selling in the futures market, the Hang Seng index losing 207.48 at 9,513.13 after a day's low of 9,432.79. Turnover picked up to a provisional HK$4.8bn from Wednesday's HK$3.5bn.

HSBC was the most active stock, falling HK$2.50 to HK$86.50 in turnover of HK$410.2m. Cheung Kong lost HK$1 at HK$40 and Hang Seng Bank HK$1.50 at HK$55.50.

**KUALA LUMPUR** was 1.8 per cent lower, depressed by broadly based profit-taking among index-linked stocks and second and third liners. The composite index fell 19.28 to 1,027.20.

**SINGAPORE** was marked down 1.5 per cent, pressured by institutions unloading blue chips and speculators selling cheaper-priced stocks. The downward pressure was also attributed to programme-related selling from foreign investors. The Straits Times Industrial index dipped 32.16 to 2,153.65. DBS Land fell 14 cents to S$4.02 in spite of posting healthy 1993 earnings.

**SEOUL** continued to retreat for the third straight day amid further consolidation in blue chips, and the composite index receded 7.97 to 888.56.

**MANILA** rose sharply on strong buying of blue chip stocks, taking the composite index ahead 70.41, or 2.6 per cent, to 2,713.31.

While volume fell to 3.04bn shares from Wednesday's 3.49bn, turnover value increased to 1.14bn pesos from 1.08bn pesos.

**TAIWAN** put on 1.2 per cent as buyers came into the market late in the day. The weighted index rose 65.72 to 5,397.06, although turnover was thin at T$39.05bn.

**AUSTRALIA** eased in light trading, reflecting a weakness in the bond market. The All Ordinaries index shed 9.1 to 2,164.4 in A$527.2m turnover.

BHP slipped 4 cents to A$17.46 and Western Mining declined 20 cents to A$7.13, but CRA defied the trend, rising 10 cents to A$17.76.

**CHINA'S** B shares weakened, with Shanghai's index losing 2.7 per cent to 61.71 and the Shenzhen index 0.5 per cent to 69.89.

Brokers commented that overseas investors were worried about the overbeating economy, with many reweighting portfolios in favour of Japan.

**KARACHI** closed at a record high on strength in the financial sector as the market resumed trading after a seven-day holiday.

The KSE 100-share index rose 27.65 to 2,589.71.

**BOMBAY** was steady, the BSE 30-share index edging up 1.02 to 3,792.98, as liquidity picked up marginally from the very low levels of the previous two sessions which followed the imposition of a ban on forward trading.

**COLOMBO** finished higher, the all share index gaining 11.23 at 1,252.02, but brokers said they expected the improvement to prove short-lived and that the market would resume the correction which began on March 1.

## SOUTH AFRICA

Weakness in gold stocks was offset to some extent by the industrials sector, where the index added 48 at 6,106. The golds index lost 24 at 1,859 and the overall 14 at 5,188. Anglos shed R5.50 to R220 and Western Deep R2 to R185.

**FT-ACTUARIES WORLD INDICES**

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock | WEDNESDAY MARCH 16 1994: US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | TUESDAY MARCH 15 1994: US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | DOLLAR INDEX: 1993/94 High | 1993/94 Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (69) | 175.64 | -0.7 | 174.54 | 117.41 | 154.41 | 163.69 | 0.1 | 3.31 | 175.88 | 175.83 | 112.69 | 155.89 | 163.49 | 188.16 | 130.19 | 137.31 |
| Austria (17) | 191.78 | 0.9 | 190.58 | 128.20 | 168.59 | 168.46 | 0.8 | 0.92 | 189.97 | 188.84 | 127.47 | 167.53 | 167.39 | 196.41 | 138.63 | 147.40 |
| Belgium (42) | 170.44 | 0.4 | 169.38 | 113.94 | 149.84 | 146.33 | 0.0 | 3.82 | 169.80 | 168.78 | 113.93 | 149.74 | 146.31 | 170.76 | 141.82 | 145.33 |
| Canada (107) | 137.52 | 0.6 | 136.66 | 91.93 | 120.89 | 135.56 | 0.4 | 2.48 | 136.73 | 135.91 | 91.74 | 120.57 | 135.00 | 145.31 | 121.46 | 123.27 |
| Denmark (33) | 270.34 | 0.1 | 268.65 | 180.71 | 237.66 | 242.88 | -0.1 | 0.96 | 270.09 | 268.47 | 191.22 | 238.18 | 243.22 | 275.79 | 195.66 | 198.65 |
| Finland (22) | 148.90 | 1.6 | 147.97 | 99.54 | 130.90 | 172.03 | 0.9 | 0.85 | 146.58 | 145.71 | 98.36 | 129.27 | 170.41 | 156.72 | 70.02 | 70.02 |
| France (99) | 180.26 | -0.2 | 179.13 | 120.50 | 158.47 | 162.54 | -0.5 | 2.83 | 180.71 | 179.63 | 121.26 | 159.36 | 163.42 | 185.37 | 149.60 | 155.34 |
| Germany (59) | 137.62 | 0.7 | 136.76 | 91.99 | 120.98 | 120.98 | 0.4 | 1.71 | 136.65 | 135.63 | 91.69 | 120.50 | 120.50 | 142.39 | 107.59 | 112.59 |
| Hong Kong (56) | 397.50 | -1.4 | 395.03 | 265.72 | 349.46 | 394.24 | -1.4 | 2.69 | 403.12 | 400.71 | 270.49 | 355.50 | 399.82 | 506.56 | 237.88 | 238.97 |
| Ireland (14) | 191.36 | -0.5 | 190.17 | 127.92 | 168.23 | 196.07 | -0.5 | 3.17 | 192.30 | 191.15 | 129.03 | 169.58 | 198.91 | 209.33 | 141.63 | 141.79 |
| Italy (69) | 77.29 | -0.4 | 76.81 | 51.67 | 67.95 | 96.38 | -0.5 | 1.75 | 77.57 | 77.11 | 52.05 | 68.41 | 96.84 | 78.93 | 56.21 | 57.91 |
| Japan (469) | 156.60 | 1.0 | 155.63 | 104.68 | 137.67 | 104.68 | 0.6 | 0.77 | 155.10 | 154.17 | 104.07 | 136.78 | 104.07 | 165.91 | 115.24 | 115.24 |
| Malaysia (69) | 490.47 | 0.3 | 487.41 | 327.86 | 431.16 | 515.03 | 0.0 | 1.47 | 488.66 | 485.94 | 328.02 | 431.11 | 515.03 | 621.63 | 278.49 | 277.12 |
| Mexico (18) | 2047.69 | -2.0 | 2035.10 | 1368.93 | 1800.30 | 7382.18 | -2.8 | 0.68 | 2089.97 | 2077.47 | 1402.34 | 1843.06 | 7597.85 | 2647.08 | 1431.17 | 1531.42 |
| Netherland (26) | 202.65 | -0.1 | 201.38 | 135.46 | 178.15 | 175.67 | -0.4 | 3.12 | 202.88 | 201.67 | 136.13 | 178.91 | 176.44 | 207.43 | 163.30 | 163.34 |
| New Zealand (14) | 70.48 | 0.2 | 70.04 | 47.12 | 61.96 | 64.94 | 0.2 | 3.59 | 70.37 | 69.95 | 47.22 | 62.06 | 64.83 | 77.59 | 45.45 | 46.10 |
| Norway (23) | 204.16 | 1.1 | 202.88 | 136.47 | 179.48 | 202.96 | 0.8 | 1.62 | 201.98 | 200.77 | 135.53 | 178.12 | 201.27 | 208.42 | 149.77 | 151.62 |
| Singapore (45) | 318.73 | -0.5 | 316.75 | 213.06 | 280.21 | 232.85 | -0.7 | 1.79 | 320.46 | 318.55 | 215.03 | 282.61 | 234.39 | 378.92 | 216.12 | 216.12 |
| South Africa (60) | 267.25 | -1.1 | 265.58 | 178.65 | 234.94 | 266.68 | -0.9 | 2.30 | 270.25 | 268.63 | 181.33 | 238.32 | 269.05 | 280.26 | 161.99 | 162.84 |
| Spain (42) | 148.12 | -0.7 | 147.19 | 99.01 | 130.21 | 155.68 | -1.0 | 3.71 | 149.14 | 148.25 | 100.07 | 131.52 | 157.21 | 155.79 | 116.33 | 125.01 |
| Sweden (38) | 221.58 | 0.2 | 220.19 | 148.12 | 194.79 | 257.74 | -0.1 | 1.47 | 221.09 | 219.77 | 148.35 | 194.98 | 257.95 | 230.02 | 154.79 | 151.97 |
| Switzerland (49) | 163.45 | -0.3 | 162.43 | 109.26 | 143.69 | 145.31 | -0.9 | 1.56 | 163.91 | 162.93 | 109.96 | 144.55 | 146.49 | 176.56 | 112.27 | 113.30 |
| United Kingdom (215) | 198.72 | -0.7 | 197.47 | 132.83 | 174.70 | 197.47 | -0.7 | 3.70 | 200.09 | 198.89 | 134.28 | 176.45 | 198.89 | 214.96 | 169.36 | 170.20 |
| USA (518) | 191.03 | 0.5 | 189.84 | 127.70 | 167.94 | 191.03 | 0.5 | 2.77 | 190.11 | 188.97 | 127.56 | 167.65 | 190.11 | 196.04 | 175.91 | 184.25 |
| EUROPE (745) | 170.99 | -0.2 | 169.92 | 114.30 | 150.32 | 162.89 | -0.5 | 2.81 | 171.40 | 170.38 | 115.01 | 151.15 | 163.63 | 178.58 | 138.68 | 139.62 |
| Nordic (113) | 214.31 | 0.4 | 212.97 | 143.26 | 188.40 | 217.60 | 0.1 | 1.27 | 213.37 | 212.09 | 143.17 | 188.16 | 217.35 | 220.60 | 145.85 | 149.64 |
| Pacific Basin (722) | 165.70 | 0.7 | 164.66 | 110.76 | 145.67 | 115.24 | 0.4 | 1.05 | 164.54 | 163.56 | 110.41 | 145.11 | 114.78 | 168.80 | 120.08 | 120.08 |
| Euro-Pacific (1467) | 187.75 | 0.3 | 166.70 | 112.13 | 147.47 | 133.98 | 0.0 | 1.80 | 167.24 | 166.24 | 112.22 | 147.48 | 133.92 | 170.78 | 127.95 | 127.95 |
| North America (625) | 187.71 | 0.5 | 186.54 | 125.47 | 165.01 | 187.19 | 0.5 | 2.75 | 186.79 | 185.57 | 125.33 | 164.72 | 186.28 | 192.73 | 173.70 | 180.48 |
| Europe Ex. UK (530) | 152.44 | 0.0 | 151.49 | 101.90 | 134.01 | 141.96 | -0.3 | 2.26 | 152.39 | 151.48 | 102.25 | 134.38 | 142.37 | 155.73 | 120.02 | 120.69 |
| Pacific Ex. Japan (253) | 254.67 | -0.6 | 253.09 | 170.24 | 223.89 | 233.67 | -0.6 | 2.62 | 256.66 | 255.13 | 172.22 | 226.34 | 235.06 | 298.21 | 167.54 | 167.54 |
| World Ex. US (1652) | 169.06 | 0.2 | 168.01 | 113.01 | 148.62 | 137.20 | 0.0 | 1.61 | 168.63 | 167.63 | 113.15 | 148.71 | 137.20 | 172.81 | 129.01 | 129.01 |
| World Ex. UK (1955) | 173.08 | 0.5 | 172.00 | 115.70 | 152.16 | 149.81 | 0.3 | 1.99 | 172.31 | 171.28 | 115.62 | 151.95 | 149.40 | 175.58 | 144.39 | 144.39 |
| World Ex. So. Af. (2110) | 174.78 | 0.4 | 173.70 | 116.84 | 153.66 | 153.17 | 0.2 | 2.15 | 174.17 | 173.13 | 116.87 | 153.60 | 152.89 | 178.56 | 146.63 | 146.66 |
| World Ex. Japan (1701) | 197.27 | 0.1 | 186.10 | 125.19 | 164.63 | 182.80 | 0.0 | 2.73 | 187.13 | 186.01 | 125.56 | 165.02 | 182.79 | 195.20 | 163.82 | 164.69 |
| The World Index (2170) | 175.34 | 0.3 | 174.26 | 117.21 | 154.14 | 154.06 | 0.2 | 2.18 | 174.75 | 173.71 | 117.26 | 154.10 | 153.79 | 178.97 | 146.63 | 146.65 |

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Latest prices were unavailable for this edition. Malaysian market closed March 16.

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**JOBS:** As a new style of organisation emerges from the recession, companies are turning to temporary managers

# The permanent temp is a Handyman

How hard do you need to work at getting a job? Most people have heard of aspirants firing off scores of applications and of advertisements attracting hundreds of inquiries, even for quite lowly posts.

There is nothing unusual about the committed job seeker, but the trend towards more flexible workforces and slimmer companies is influencing individual approaches to employment.

Richard McKeown has gone one step further than chasing every vacancy, turning his skills as a chartered secretary into an aggressively marketed business service aimed at short-term employment opportunities. McKeown, 46, who lives in Uxbridge, west London, was made redundant in 1987 after the company he worked for moved to south Wales and he decided not going to go with it.

He invested £7,000 with an outplacement agency which did not find him a job but which gave him valuable advice about interviews and how to write a CV.

Since 1988 he has had a series of temporary contracts in the company secretarial role and is now completing a short stint as a temporary assistant company secretary at Kingfisher.

McKeown's name is registered with three recruitment agencies but he has gone beyond being merely a hopeful job applicant. He spends £5,000 a year on marketing himself. This includes employing a public relations expert.

He produces a glossy brochure advertising his skills, experience, previous employers, selected references and the work he is capable of doing. He is, in his own words, "the all singing, all dancing one-man band".

McKeown may be the manager of the future: the sort of individual whom management philosopher Charles Handy, writes about in his new book, *The Empty Raincoat*.

Handy talks about a portfolio approach to life where you decide how much you want to work, how you want to work and where you want to work. Newly restructured organisations, he has observed, are moving increasingly towards the employment of fee-charging professionals.

A whole new employment industry has sprung up over the past 10-15 years to provide temporary – or "interim" – managers.

Many do not see themselves as temporary workers in the long term but are prepared to fulfil such roles until a permanent post comes along. McKeown claims to have "crossed the Rubicon" in this respect and now sees himself as a permanent temp.

He says he does not feel insecure, has never been despairing and is relaxed about his prospects. His experience as an itinerant employee is growing. His former clients include BTR, Lautro and Mercury Communications.

The use of temporary staff started in Silicon Valley in the US among start-up companies. They employed a core of essential staff on a permanent basis and made up the rest of their workforce with temporary contractors.

Now the strategy is spreading to individual managers.

McKeown argues that it can be good for professionals because they can command higher fees than they would get on a salaried basis. It can be good for the company because it is buying a short-term and often essential stop gap at a fixed price. The downside for the employer would seem to be cost and, to some extent, uncertainty about quality, although the temporary nature of the employment lessens the potential damage of recruiting a dud.

Jeff Grout, managing director of Robert Half, which has about 500 temporary accountants on its books, says: "As companies have come out of the recession they are not rushing to recruit staff back on a permanent basis.

"The traditional temp has changed dramatically. It used to be in low-level grades but there are now some very senior people doing it."

Charles Russam, managing director of the GMS consultancy and secretary of the Association of Temporary and Interim Executive Services, says his company database lists 3,500 executives to supply companies that need senior business managers at director level or one level below.

He estimates the executive leasing or interim management sector is worth between £70m and £100m in the UK and that it is growing at about 20 per cent a year as it is increasingly viewed as a serious alternative to long-term employees. He says: "Interim management is no longer being seen as the recycling of clapped out executives but as a credible option for business.

"Businesses are saying to themselves why do I need to keep such people on my payroll when I can go into the market and get someone in to do a specific job."

But how do you avoid getting a useless manager attempting to revive a washed-up career? Russam admits that such people have found their way on to agency books. His own company, he says, will no longer list anyone for whom it does not have three satisfactory references.

As registered employment agencies, such companies take their fees from employers. "It means that we owe a duty of care to our clients so it is in our interests to ensure that the people we are supplying are of a good calibre," says Russam.

Interest in temporary managers is growing, he says, among expanding small businesses which need hands-on management help, often on a part-time basis.

Use of the temporary professional has expanded markedly in the field of information technology. About 20,000 to 30,000 freelance employees are working in this area in the UK, with about 20 agencies marketing their services. The biggest operator, CSS-Comac, has about 1,100 people working. Tony Coombes, professional services director of Systems Resources of Coventry, which has about 500 contract staff working for employers such as IBM, says quality control is becoming increasingly important as customer companies are demanding good people and consistency from suppliers.

"Everyone we place is an ambassador of the company. If they don't do well, manufacturers will blame us," he says.

The company has become rigorous with its contractors. All conversations with freelances discussing their abilities are recorded afterwards and kept on file. "It may appear big brotherish but it's not. It is really a way of making a quality selection against the requirement the client gives us," Coombes says.

Contracts tend to be for three months. Employees do not have the holiday arrangements that their full-time colleagues enjoy but the trade-off in job security tends to be higher salaries. Computer operators in the £15,000 to £20,000 salary range may find themselves earning the equivalent of between £20,000 and £28,000 a week for the duration of the contract. Experienced programmers will be earning the equivalent of £30,000 to £45,000 a year compared with £20,000 to £30,000 in a full-time post.

Richard McKeown agrees that the fees commanded by temporary professionals are higher than full-time salaries. The fee, he says, has to account for personal overheads, self-provision of pensions, holidays and car. He also feels justified in including an additional element to reflect his availability at short notice.

One of the biggest problems for individuals, he argues, is adopting the frame of mind that accepts temporary contract working as the norm. To do this, he believes it is necessary to build up capital that can be used as a buffer for the times when demand is quiet.

He says: "There is a vast pool of highly qualified people out there. They might have come to it through redundancy, but so what? I think I'm better at my job now than I was 10 years ago. It has been a positive experience."

**Richard Donkin**


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# JAPANESE & FAR EASTERN EQUITY/ DERIVATIVE SALES

Amsterdam, Brussels
Zurich, Singapore,
Hong Kong

£ Substantial Package

AMSTEL

Amstel Securities is a highly successful International firm of Stockbrokers with offices in five major financial centres. Specialising in the Japanese and other Asian Securities markets, the firm has quickly built a substantial market share in an adverse climate. Amstel's success is based on a client orientated sales philosophy and the professionalism of all its employees.

The company now seeks to recruit a number of key individuals who will contribute to the implementation of Amstel's continuing growth strategy.

The successful candidates will be experienced sales people who can demonstrate an impressive track record of selling a full product range to institutional investors in Europe and/or the Far East. They will also be highly motivated individuals who thrive on a high level of individual responsibility and independence.

We are also interested in talking to experienced sales people and fund managers who may prefer to work on an associate or affiliate basis, making use of the company's facilities.

Amstel offers a dynamic environment where career progression depends entirely on an individual's drive and determination to succeed. The compensation package reflects the company's ambition to attract people of the highest quality.

*If you feel that you meet the exacting standards required, please contact **Jonathan Cohen** or **Tony Marshall** on **071-629 4463** or send your CV to the address below. (Fax: **071-629 3954**).*

HARRISON WILLIS
CITY

Cardinal House, 39-40 Albemarle Street, London W1X 3FD. Tel: 071-629 4463

# TOP OPPORTUNITIES

## SENIOR POSITIONS IN GENERAL MANAGEMENT

*Turks & Caicos Islands Inward Investment Agency*

The Turks and Caicos Islands are naturally very beautiful, with a population of less than 15,000.

As part of its policy of encouraging private-sector inward investment, the government of the Turks & Caicos Islands, a British dependency in the West Indies, is setting up a powerful new agency to encourage inward investment, assist and advise would-be investors, and advise the government on investment policy.

At the same time, the government is making sweeping changes to the current legislative and administrative framework to remove previous disincentives to high quality investors and to create one of the most attractive environments for the investor in the region.

The new agency will also take over responsibility for an existing development-banking facility, funded by a leading regional institution, in support of local investors.

### *Chief Executive*

As head of the agency, you will require strong negotiating skills and broad commercial and general-management experience. Knowledge of North American markets and business practices is essential, since a high proportion of inward investment is likely to come from the region. Experience in the Caribbean region will be an advantage. In view of the need for close working relationships with a British style of government, ideally you will have familiarity in dealing with UK government departments. You will also be expected to form a close working relationship with the Minister for Development and with heads of department concerned with the processing of investment projects.

### *Inward Investment Manager*

Reporting to the Chief Executive you will have overall responsibility for the day-to-day inward-investment operations. You are likely to have between 5 and 10 years' of broad experience in a financial or economics environment, and will be familiar with project appraisal and with projects in the region. Ideally, you will be a Turks & Caicos Islands Belonger with the potential to assume the post of Chief Executive, although candidates of other national origins will be considered.

**TERMS AND CONDITIONS OF EMPLOYMENT**

An internationally competitive employment package (tax-free in the Turks & Caicos Islands) will be offered. Appointment will be on a three-year contract to the agency (a statutory board), with the possibility of renewal.

Closing date for receipt of completed applications is 15 April 1994.

**For further details and application form, please write to Appointments Officer, Overseas Development Administration, Ref No AH304/MMcC/FT, Abercromble House, Eaglesham Road, East Kilbride, Glasgow G75 8EA, or telephone 0355 843531.**

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IDATE is a leading European communications research and consulting organisation located in Montpellier, France. Its mission is to carry out techno-economic assessments, industrial and market analyses, public policy studies, etc. Its main clients are the EC, European Governments, and leading manufacturers and service providers.

It is seeking a well-qualified economist (Ph. D. or equivalent) as

## Director for Audiovisual Studies

The person appointed will be responsible for developing and broadening IDATE's activities in the audiovisual and media sector.

It is likely that the successful candidate will have at least seven years experience of consulting, industrial strategy and/or research in the audiovisual field. He or she must have proven abilities in market analysis and forecasting, and good negotiating skills.

**This post requires an excellent command of both English and French**

Send resume and salary expectations to Pierre MIRALLÈS
Institut de l'audiovisuel et des télécommunications en europe
*BP 4167 - F-34092 Montpellier cedex 5 - France*

IDATE

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**The Top Opportunities Section**

**For Senior Management Appointments**

**For advertising information call:**

**Philip Wrigley on 071 873 3351**

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Our Client, a major U.S. corporation is continuing its growth and development in the Continental European market sector and now wishes to appoint a

# EUROPEAN TECHNICAL DIRECTOR

**INDUSTRIAL GASES**

**c. $80-90,000 + Bonus + Relocation** — **Spanish base**

A mature individual, aged 40-50, you must hold a recognised degree level qualification in mechanical/chemical engineering and have a minimum of 15 years senior technical management experience in the production of industrial gases. You will also require a profound knowledge of European industrial gas safety and ISO 9000 standards.

Fluency in English is essential with the ability to communicate in at least one other Central/East European language a distinct advantage. Strong organisational, analytical and interpersonal skills will be required.

Your tasks and responsibilities will be to provide full technical support and the coordination of a continuous production system evaluation between a number of European group companies and the U.S. Headquarters. You will also be required to provide technical analysis and support to the European Management on future acquisitions and investments.

You will be based in Spain, at a location to be determined and report directly to the European Vice President. This technical support role will involve extensive European travel.

PMC

Please forward your written application, including a current C.V. to:
**PMC Int Ltd, 4 Liberty Court, Bell Street, Reigate, Surrey, RH2 7JB.**

Vienna Berlin Bratislava Budapest Sofia Warsaw London Dublin Moscow Prague

*Personnel & Management Consulting International Limited*

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# SPREADING A GLOBAL VISION

DIRECTOR OF CORPORATE COMMUNICATIONS

LONDON BASED

A leading provider of global mobile communications services via satellite to users at sea, on land and in the air, Inmarsat is an internationally-owned cooperative backed by 73 countries. The Inmarsat partnership is a complex series of internal and external inter-relationships made up of investors, service providers, manufacturers, government administrations and the directorate representing a broad spectrum of perceptions and interests.

The rapidly changing telecommunications environment and the growing reality of competition are creating new challenges for the organisation. To meet them, Inmarsat's communications and public relations functions must continue to evolve – this will form a major part of your brief as Director of Corporate Communications.

Reporting to the Vice-President for Corporate Communications, you will be play an active and important part in the management and direction of Inmarsat's worldwide corporate communications and public relations policies and programmes. This will principally involve:

- major public relations activities and,
- establishing and maintaining channels of communications between Inmarsat, organisations and individuals on a worldwide basis

Your focus is to be on developing and implementing communications programmes to help Inmarsat achieve its business objectives in this emerging environment. The programmes will call for:

- the effective employment of PR and media techniques,
- information and promotional product periodical publishing,
- exhibitions, special events, sponsorships and other promotional tools, and,
- the implementation of Inmarsat's corporate identity and brands.

You will have direct management responsibility for a team of 30 professionals within the department and together you will ensure that approved projects are carried out on time and within budget

In return, there is a highly competitive salary and benefits package which reflects the high level of competence, experience and professional qualifications required.

*To apply, please fax or mail your full career details to Yvonne Sarch, S+T+C Selection, 54 Jermyn Street, London SW1Y 6LX, United Kingdom. Fax: +44 71 499 7546. Closing date: 1 April 1994.*

Inmarsat

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**EUROPEAN LEASING - LONDON**

We have several vacancies for graduate bankers with fluent German, Spanish or Scandinavian languages, who are experienced in sourcing, pricing and closing high value cross-border leasing/asset financings (non-aircraft preferred). **SALARY HIGH.**

**HIGHLY STRUCTURED UK LEASING**

Two prime UK merchant banks seeks graduate bankers trained in credit, pricing/structuring, plus 2/5 years marketing/negotiating, experience covering *high-value structured* lease transactions. **NEG £30-£45,000**

**SALES AID VENDOR LEASING**

We urgently seek "overtarget" sales/marketing executives aged 25/28 years capable of producing leasing deals in the £250k+ per month range, covering office equipment transactions (e.g. copiers, fax, telecoms, etc.)
**PACKAGE NEG £22-£35,000 + BENEFITS**

**SENIOR $/YEN DEALER**

A major international bank requires a senior spot trader with at least 5 years experience of profitable dealing in $/Yen and associated crosses. An excellent package is on offer the the successful applicant.
**£ HIGHLY NEG**

**COMPLIANCE SPECIALIST**

A major US investment bank seek a dedicated *compliance specialist* with an audit compliance, asset administration management background. Excellent communications skills and creative thinking are important as will be familiarity with IMRO/SEC. Brief will cover advisory, training, audit, procedures and systems. **£ HIGHLY COMPETITIVE**

**CREDIT RISK ANALYSTS**

We have two major banks seeking graduate/ACIB qualified bankers, aged 25/28 years, who have received formal credit training.
**SALARY RANGE £25-28,000 + BENEFITS**

**Contact or send detailed CV's to BRIAN GOOCH/STEPHEN SHANAHAN**

OBSB OLD BROAD STREET BUREAU — Search & Selection Consultants
65 London Wall, London EC2M 5TU
Tel: 071-588 3991 Fax: 071-588 9012

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**SARGENT BROTHERS LTD.**

Currently seeking University educated individual to supplement successful, exchange-based (LIFFE) options market-making *firm*. Candidates must be competitive, motivated and highly numerate. All interested parties please forward CV to:

*Gregory O Sargent*
*16b Smith Street*
*London SW3 4EE*

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**INTERNATIONAL CONSULTING GROUP**

is planning to increase activities to all parts of the U.K Applications are invited from professionals with backgrounds in all aspects of industry and commerce.

Send CV to M B Beattie,
*International Business Consultants,*
45 Frederick Street, Edinburgh
EH2 1EP

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## BANKING FINANCE & GENERAL APPOINTMENTS

# ANGLO IRISH BANKCORP

**Anglo Irish Bank Corporation plc is a fully integrated banking group with an asset base exceeding IR£1 billion. The bank, which is publicly quoted on the Stock Exchange in Dublin and London, now wishes to recruit two Senior Managers for its banking divisions in the UK and Ireland.**

### *SENIOR MANAGER, BANKING (UK)*

This position will suit an experienced banker with a number of years experience in the UK secured lending market at a senior level.

The successful candidate will be responsible for the development and control of an expanding loan portfolio and will be expected to make a full contribution to the continued growth of the bank's UK operation. The position is a senior one, carrying a high degree of autonomy.

An attractive remuneration package is available and will be discussed at interview.

To apply, please contact John Rowan, General Manager, by telephone or in writing, at:
**Anglo Irish Bank Corporation plc**
**Moor House**
**119 London Wall**
**London EC2Y 5ET**
**Telephone: (071) 628 4004.**

### *SENIOR MANAGER, BANKING (Ireland)*

The successful applicant, who will report directly to the Director of Banking, will be responsible for the control and development of two lending teams and the continued growth of the bank's corporate business.

The successful candidate will have a third level or professional qualification. He/She should have several years lending experience and be a resourceful and innovative banker. The position carries a high degree of autonomy.

An attractive remuneration package reflecting the seniority and responsibility of the appointment will be discussed at interview.

To apply, please contact Bill Barrett, Director of Banking, by telephone or in writing, at:
**Anglo Irish Bank Corporation plc**
**Stephen Court**
***18-21 St Stephen's Green***
**Dublin 2**
**Telephone: (010 353 1) 676 0141.**

***All applications will be treated in the strictest confidence.***

***THE CLOSING DATE FOR APPLICATIONS IS THURSDAY, 31st MARCH, 1994.***

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# CITY RESEARCHER

**LEADING EXECUTIVE SEARCH CONSULTANCY**

**LONDON** — **ATTRACTIVE SALARY + BONUS POTENTIAL**

- Whitehead Mann is one of the leading executive search companies in the UK operating at the highest levels in both the UK and internationally.
- The company has a good reputation for developing its researchers and prospects for promotion are excellent.
- Opportunity to join small, highly respected specialist financial service team working for a variety of blue chip institutions in commercial and investment banking, retail financial services and investment management.
- Broad involvement in all aspects of assignments with substantial client contact and specific responsibility for identifying and approaching candidates.
- Key position involving senior level contact and requiring excellent communication skills, tenacity, creativity and a high degree of energy and initiative.
- Graduate aged mid to late twenties. Will have a good knowledge of treasury, capital markets, securities and derivatives.
- Should be used to operating in an international environment and a second language is useful but not essential.
- May already be a researcher with a reputable search company or alternatively have experience in banking or securities with good understanding of trading markets.

Please apply in writing quoting Ref: RES/94
with full career and salary details to:
James Roberts
Whitehead Mann Limited
44 Welbeck Street, London W1M 7HF
Tel: 071 935 8978

**Whitehead Mann**
*AMROP INTERNATIONAL*

An excellent opportunity exists for an outstanding professional with legal experience and a thorough grounding in derivative products to join a bank with an international reputation for product innovation. Bankers Trust's capital strength, intermediary skills and entrepreneurial spirit make us one of the world's leading investment banks.

# Derivatives Negotiator
## International Capital Markets

**Excellent Salary + Bonus & Benefits** City

This highly visible and critical role has responsibility for the execution and negotiation of swaps, equity, commodity and other derivatives documentation. It involves:

- The negotiation of master agreements, guarantees, credit and other derivatives documentation.
- Effective liaison with senior traders, credit, operations and legal to ensure successful execution with counterparties.
- Transactional work relating to latest and most complex derivative products.

A lawyer with a minimum of 2 years' Capital Markets experience, including a good understanding of ISDA agreements, you will have worked in a similar banking role or in a leading city law firm. Stamina, initiative and ability to thrive in a high pressure, fast paced environment are essential. Some familiarity with equity derivatives is preferred. Excellent interpersonal and communication skills are necessary to build relationships with traders and deal constructively with contentious issues.

**If you want a demanding personal challenge, exceptional career prospects and the rewards appropriate to senior, successful individuals, please write to: Ms J Hogan, Bankers Trust Company, 1 Appold Street, Broadgate, London EC2A 2HE.**

**Bankers Trust**
EXCEPTIONAL PEOPLE ARE OUR FUTURE.

# HOUSE OF COMMONS
**(Department of the Clerk of the House)**
**SELECT COMMITTEE SPECIALIST ASSISTANTS**
**£17,776 - £24,620**

The Treasury and Civil Service Committee requires one or two Specialist Assistants to cover economic questions. The Committee regularly examines Government economic policy, taxation proposals, public expenditure and international monetary arrangements. Candidates should be well versed in at least one of these fields. The duties will include giving specialist assistance to the Clerks of the Committee and undertaking research into specific questions at their request.

Applications are invited from candidates with a good degree or an equivalent professional qualification in a relevant subject together with several year's relevant practical experience. An interest in public administration will be an advantage, and familiarity with the use of a micro-computer is essential.

Starting salary will depend on age, qualifications and experience. The appointments will commence as soon as possible and will be for an initial period of two years, with the possibility of an extension for a further two years.

There is an attractive remuneration package including a non-contributory pension scheme in respect of personal benefits, interest free loan for season ticket purchase and generous leave.

Strict political impartiality is required of all House of Commons staff and the appointees will be expected not to engage in political activities for the duration of their appointment.

For further details and an application form write to: Recruitment & Assessment Services, Alencon Link, Basingstoke, Hampshire RG21 1JB or telephone 0256 468551 quoting reference number C/94/2098.

**Closing date for return of application forms: 31st March 1994**

Applications from Registered Disabled candidates will be welcomed.

The House of Commons Service is an Equal Opportunities Employer

**CORPORATE FINANCE OPPORTUNITIES**

**THREE TOP CITY BASED BANKS REQUIRE:**

- Corporate / Project Finance:- Energy and Natural Resources: minimum 2 years experience, second language preferable - good communication skills with a dynamic personality. Age 26-29. Salary negotiable.
- Corporate Finance: German speaking - minimum 3 years experience to be based in UK. Self starter with the ability to generate deals - this is a unique position requiring an exceptional person, preferably German Nationals. Age 28 -32. Salary negotiable.
- Cross Border Corporate Finance:- Good Quality M.B.A. Lawyer graduate must have at least 2 years experience - essential second language preferably French. Must be able to demonstrate good communication skills. Age 26 - 29. Salary negotiable.

For further details please call on 071-377 6488 or send/fax your CV to Deborah Michelle.
All applications are treated in the strictest confidence
CAMBRIDGE APPOINTMENTS
232 Shoreditch High Street, London E1 6PJ. Fax No. 071-377 0857

# MARKET MAKING FX/DERIVATIVES SALES PROFESSIONAL

Citibank provides a comprehensive range of financial products and services to corporate, institutional and individual customers globally.

Based at our European headquarters in London, our Foreign Exchange team is recognised to be one of the world leaders, dealing across 136 currencies.

Working in the market making team, you will have direct contact with professional clients, travelling extensively marketing FX and Derivative products to central banks, sovereigns and correspondent banks globally.

Ideally, you will be a Graduate with 1-2 years' experience and already have a proven track record of selling and trading FX/Derivative products. A knowledge of European languages would be advantageous.

A highly competitive remuneration package is offered, together with career development opportunities both within the FX function and Citibank as a whole.

**To apply, please send your full CV and a covering letter to Joanne Lee, Human Resources Officer, Citibank N.A., P.O. Box 78, 336 Strand, London WC2R 1HB.**

**CITIBANK**
**We are an equal opportunities employer**

# Capital Markets – Middle Office Opportunity

LONDON — CONTROLLER - RISK / FINANCE — £ EXCELLENT PACKAGE

This is a key position within the Capital Markets' subsidiary of one of the world's largest banks with assets in excess of US$250 billion and a network of operations embracing every major financial centre.

The Company has a record of exceptional performance, well managed client relationships and sustained growth. It is now seeking to appoint a key individual to head a middle office function for the Derivatives Arbitrage Division.

Working beside a leading-edge, innovative and cosmopolitan team, key responsibilities within the role will include:

- Market risk analysis of a complex array of instruments
- Daily mark to market
- Management of short term cashflows
- Overseeing of Daily P&L reporting
- Capital utilisation and allocation
- Management of an expanding high calibre team producing monthly management accounts and annual financial statements

The successful candidate will be able to demonstrate an advanced mathematical background and a detailed understanding of the risk characteristics of derivative instruments. In addition, candidates must be able to work effectively in a fast pace, complex environment, be able to initiate innovative risk assessment techniques, and be a confident communicator at the most senior level.

This high profile, demanding position requires a qualified accountant with a proven record of success and team management. The ideal candidate will currently be working in a sophisticated middle office or front office environment.

For further information please contact Fiona Jobson or Tim Buxton on 071 404 3155 or write to them, enclosing a Curriculum Vitae, at Alderwick Peachell and Partners at the address below. All enquiries, will of course be treated in the strictest confidence.

**Alderwick Peachell**
& PARTNERS LTD

Alderwick Peachell & Partners Limited, Recruitment Consultants, 125 High Holborn, London WC1V 6QA. Tel: 071-404 3155. Fax: 071-404 0140.

# Financial Services Regulation

***Policy Development*** ***City***

IMRO - Investment Management Regulatory Organisation Limited - was established under the Financial Services Act. IMRO's objective is to protect investors by setting and promoting high standards of integrity, competence and solvency for its Members and by monitoring and enforcing those standards effectively and efficiently. Members, numbering around 1100, include fund managers, unit trust managers, pension fund managers, venture capital companies, banks and trustee companies.

Our Legal & Policy Department plays an important role in developing IMRO's standards of investor protection and standards of regulation. We now require two additional experienced professionals to join our multi-disciplinary team. They will be involved in the identification and analysis of policy issues relevant to IMRO's standards, and the preparation of policy papers, Board papers and consultation papers, proposing practical solutions to problems identified.

Candidates should have a sound understanding of the main lines of investment business, both wholesale and retail, and of the UK regulatory structure. Among the competencies required are strong analytical and communication skills, a facility for the interpretation of statute and regulations, and experience in the drafting and presentation of policy issues. Organisational and management skills are also desirable. For one of the vacancies a legal qualification and experience is essential; for the other a legal or accounting qualification will be an advantage but is not essential.

Both posts offer opportunities for further progression in due course and will provide valuable career development experience. A competitive remuneration package will be offered, related to experience and qualifications, and this will include non-contributory pension and life assurance.

Please write (under confidential cover) with a curriculum vitae, including salary details, and state your reasons for applying and how you meet our requirements, to: Robert Charleston, Head of Personnel, IMRO, Broadwalk House, 6 Appold Street, London EC2A 2AA. Please quote reference number LP94/03.

IMRO

# Head of Compliance – Merchant Banking

SAMUEL MONTAGU

Samuel Montagu is the merchant banking arm of the HSBC Investment Banking Group for the UK, Continental Europe and the USA. The other members of the Group are James Capel, Wardley and HSBC Asset Management. Samuel Montagu focuses on corporate finance, specialised financing, private equity and export and project finance. Overseas, Samuel Montagu has offices in New York, Paris, Oslo, Stockholm, Helsinki, Budapest, Warsaw and Prague.

Samuel Montagu wishes to recruit a Head of Compliance who will report directly to the Chief Executive. The Head of Compliance will be expected to play a key role in the development of the business and will work closely with the business heads both in the UK and overseas.

The Head of Compliance will be responsible for the implementation of compliance policy, ensuring that appropriate rules and procedures are in place in all business and support areas. He/she will also provide a strong advisory service to the Chief Executive and directors on compliance related issues. Close relationships will also be maintained with the central compliance function of the HSBC Group in London.

To be considered for this role candidates must have the personal authority to deal with senior line management as well as having knowledge of both merchant banking and relevant rules and regulations, including those of the SFA, Stock Exchange and the City Code on Takeovers and Mergers.

A competitive remuneration package and a full range of banking benefits will be offered to reflect the importance of this position.

For an initial confidential discussion please contact Anna Williams at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH or phone her on 071 831 2000.

**Michael Page City**
International Recruitment Consultants
London Paris Amsterdam Dusseldorf Sydney

# ■ FUND MANAGER - FIXED INTEREST
# ■ UK ECONOMIC & FINANCIALS ANALYST

Two opportunities have arisen within our City-based UK Investment Division, which manages assets in excess of £5bn.

**Fund Manager, Sterling Fixed Interest:**
Responsible for management of a portfolio of c.£300m, the successful candidate will have a minimum of three years experience in fixed interest investment and possess a thorough knowledge of the sterling corporate bond markets and credit analysis techniques.

**UK Economic & Financials Analyst:**
This position, responsible for both original research into UK Financial companies and regular commentary on the UK economy, is within the eleven-strong UK Equities team, which manages c.£3bn. Candidates most have a minimum of two years research experience within the Financials Group and economic qualifications to degree level.

In both instances the ideal candidate is likely to be in his/her mid to late twenties. Please forward C.V.s to: Mrs E. Day, Confederation Life Investment Division, Birchin Court, Birchin Lane, London EC3V 9AB.

**Confederation Life**
GROUP OF COMPANIES

# DERIVATIVES TRADER
## (INTEREST RATE PRODUCTS)

As part of our growing investment in the area of Interest Rate Products, American Express Bank require an experienced ***Interest Rate Derivatives Trader*** with a minimum of 3 years experience of trading Interest Rate Swaps and Interest Rate Options.

The successful incumbent will join a successful Treasury Group about to strengthen its presence in this area of the market. Thus the successful candidate will have the opportunity to provide a shaping influence into the next phase of growth of this business within American Express Bank. In this role they will be expected to provide risk analysis of the bank's Interest Rate exposure, as well as providing a market making and trading capability to the bank's clients.

Applicants will need to have a degree in a related area e.g. applied mathematics, statistics, as well as possess excellent analytical skills. In addition candidates will need to be able to demonstrate well developed interpersonal skills e.g. communication, and have high personal levels of motivation.

The rewards include a highly competitive base salary, bonus, stock awards, company car as well as the usual banking sector benefits.

To apply you should write to Ms M. King at American Express Bank Ltd., 60 Buckingham Palace Road, London SW1W ORU.

**AMERICAN EXPRESS BANK**
DEPOSITS • CAPITAL PROTECTION • SPECIALISED FUNDS INVESTMENT • TRADE AND BUSINESS FINANCE • CREDIT STOCKS AND BONDS • TREASURY SERVICES ASSET PROTECTION • CORRESPONDENT BANKING

**BPP**
BANK TRAINING

## MANAGING CONSULTANT

We are a leading firm of consultants engaged in training, education and publishing. We have offices in London, Amsterdam, Frankfurt and Budapest from which we provide in-house and public training courses and training consultancy.

A vacancy exists in London for a Managing Consultant covering the following areas:

- Treasury management
- Foreign exchange
- Capital markets
- Asset management

The successful candidate will be well educated, will have recent practical experience of at least two of these areas, and possess excellent communication skills consistent with a training environment.

The role will demand skills in team management; the preparation and delivery of training programmes; business and product development.

Opportunities to grow with this progressive business are excellent for an ambitious, entrepreneurial and committed individual. Financial rewards will include an excellent salary and package.

Please send a full cv to the Managing Director at BPP Training & Consultancy Ltd, Moorgate Hall, 155 Moorgate, London EC2M 6XB.

Other opportunities for consultants also exist in these areas - please send your cv and a covering letter explaining your specialist subjects.

Applications must be submitted by 31st March 1994, and all communications will be treated in strictest confidence.

ASA International

**SCOTTISH WIDOWS**

# Portfolio Manager

**Japanese Equities** **Edinburgh**

Scottish Widows Investment Management is one of the leading Investment Institutions in the UK with assets under management exceeding £21 billion.

Continued growth has now led to an opportunity for an exceptional individual to join their established and highly successful team in Edinburgh, researching companies and in due course managing a number of portfolios in Japan.

Applications are sought from top quality graduates who ideally will be aged in their mid to late 20's and have around 2 years' experience of Japanese Equity Analysis. The successful candidate will hold, or be willing to study towards, Associate Membership of the Institute of Investment Management and Research or an equivalent qualification.

Naturally, motivation, initiative and well developed communication skills are pre-requisite requirements of this post.

A competitive remuneration package will be offered to the right candidate, along with excellent career prospects with one of Britain's most forward looking institutions.

*Scottish Widows Investment Management Ltd is a member of IMRO*

For a confidential discussion, telephone or write with full CV to:
Gavin Brydon, ASA International Ltd
63 George Street, Edinburgh, EH2 2JG. Tel: 031 226 6222
Interviews will be held in London and Edinburgh
All CV's sent to our client will be forwarded to ASA International.

ASA International

SIB

# Supervision of Retail SROs

## – *a senior management position*

The Supervision of Retail SROs Department within the Securities and Investments Board (SIB) aims to ensure that Retail SROs provide high standards of investor protection.

SIB wishes to appoint a Senior Manager, reporting to the Head of Department.

The job holder will:

- manage a small team collating and interpreting information from every source about the performance of the SROs;
- identify and seek resolution of regulatory issues, maintain constructive working relationships with the SROs;
- assist in the development of supervisory techniques and procedures;
- provide briefings on a wide range of SRO issues.

Applicants will have a sound working knowledge of the retail investment industry including products and players. They should be of graduate calibre and will have a record of successful management of people and issues. Other essential attributes include an aptitude for critical analysis, excellent communication and negotiating skills and an ability to provide concise, focused briefs. A mature personality with quick intelligence and sound judgment will flourish in this role.

Interested applicants should in the first instance, contact **Anna Williams at Michael Page City, Page House, 39-41 Parker Street, London** WC2B 5LH or phone her on 071 831 2000. Closing date 29th March 1994.

**Michael Page City**

International Recruitment Consultants

London Paris Amsterdam Dusseldorf Sydney

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# International Banking

## Marketing Manager Credit Card Operations

to £55,000 (tax free) + expatriate package

Our client, a prominent player within the international banking community, operates in all major markets, including the UK and the US. They provide a range of services for both private and corporate clients and have the level of capitalisation and financial resources to justify their global objectives.

We are looking for a Marketing Manager, reporting to the Head of the Credit Card Business. This is a new management role in an expanding area, a critical element of the new Domestic Banking Division. With responsibility for all credit card marketing, the role encompasses advertising, promotional campaigns and new product development.

You will be a professional marketeer with experience in financial services and a proven track record in card marketing. Good project management and excellent communication skills are essential. Graduate calibre with a professional marketing qualification preferred. The contract will be renewable after an initial two year period.

**If you would like to be considered for this post please write giving full details of your career and current salary, quoting reference 0219, to AAD Executive Selection, 7 Curzon Street, London W1Y 7FL.**

AAD *The Executive Selection Division of Odgers and Co. Ltd.*

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# Senior International Banking Opportunity

India £70,000 pa + first class benefits

Our client is increasingly recognised internationally as one of the leading financial institutions in the United Arab Emirates.

Building on a strong domestic business, and with an established international presence in London, Hong Kong aod the sub-contioent, they now wish to appoint a Country Manager, with senior level banking experience, to head up their expansion into lodia.

The key accountability will be to establish the Bank's presence in India, initially in Bombay.

Key tasks will include:

- developiog, gaining approval for, and implementiog a business plan for the Indian operation
- establishing a branch operatioo
- obtaining all resources required to implement the business plan and run the branch operation
- developing quality business
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## ACCOUNTANCY COLUMN

# Celebrations for the Father of bookkeeping

**The anniversary of a text by a 15th-century monk has sparked debate over the origins of double-entry, writes Andrew Jack**

You might have thought that with half a millennium during which to work, accounting historians would by now have got their facts straight about the development of double-entry bookkeeping. If so, you would be wrong.

Five hundred years after the publication of what is generally acknowledged to be the first textbook of modern accountancy, the academics researching the topic still seem to be as divided in their interpretations as they are in their (surprisingly large) number.

Most would at least agree to a common definition of double-entry bookkeeping: for every debit there is a corresponding, balancing credit. It is a sacred principle still worshipped today, the basis of ledger-keeping – manual and electronic – used daily by millions of number crunchers around the world.

That is about as far as the consensus goes. Few could debate that a weighty book was published in Venice in 1494 called *Summa de Arithmetica, Geometria, Proportioni et Proportionalita*, and attributed to Friar Luca Pacioli, a Franciscan monk turned teacher, which describes the so-called "Venetian method" of accounting.

But was he the author? Was his work original? Was he truly the first codify double-entry bookkeeping? More important, does it all matter anyway? In the past few weeks, intense argument has been aired on these and other related topics.

Pacioli has certainly triggered a great bout of self-reflection. Some individuals and professional bodies have been so eager to unpop the champagne corks of celebration that they have not waited for November, which was the month of publication 500 years ago.

Last month, the Institute of Chartered Accountants in England and Wales – eager to get in first – dressed up a hapless soul in a habit to publicise its "Figures in proportion" exhibition on Pacioli. In characteristically more didactic fashion, the Institute of Chartered Accountants of Scotland held a two-day "Festival of Accounting" conference earlier this month.

In April, the Italians gather in Venice to discuss and dine sumptuously in memoriam of the monk.

It has been left to the enterprising Americans to arrange a four-day recreation of Pacioli's "historic" trek from his birthplace of Sansepolcro to Urbino. The trek takes place this summer, at the conclusion of a seminar, "The Pathway of Pacioli", and has been organised by Dave Tinius and Bill Weis, two Seattle-based academics who have done more than anyone to nurture festivities over nearly a decade.

Yet these signs of homage are in stark contrast to the dark ages of just a few years ago. Copies of Pacioli's *Summa* were changing hands for extremely modest sums. He was barely recognised or memorialised in his own home town. The Italians had little time for him, in contrast to some of his contemporaries such as Leonardo da Vinci, his friend and collaborator.

Pacioli was certainly an unconventional monk. In spite of taking monastic orders, his friendship with Giuliano della Rovere, who conveniently became Pope Julius II, led to a Papal bull in 1508 waiving Pacioli's obligation to obey the Franciscan vow to live "in obedience, without property, and in chastity".

He seems to have taken full advantage of all three exemptions, being accused of self-love by Erasmus, living comfortably and incurring the wrath of his fellow monks at death by leaving much of his money to his family and not his monastery.

For Frans Volmar of the University of Limburg in the Netherlands, Pacioli was "the perfect accountant". He sees him as a crusader against the heathenism of his times, a leading proponent of the Franciscan beliefs that mathematics and the arts could revive Christianity.

He says that while the Summa was not original in its thoughts, it was a detailed description of the best accounting practices, which met the definition of a conceptual framework as used today by the US Financial Accounting Standards Board.

He argues that among the points Pacioli highlights are the importance of orderly bookkeeping and internal controls, fairness, consistency, full disclosure, relevance, prudence, materiality and the role of profit generation as an objective.

Volmar even sees in the text discussions on more advanced accounting issues such as the treatment of banking transactions, joint ventures, branches, bills of exchange, extraordinary items and foreign currency translation.

Some academics stress that Pacioli was a great populariser, writing, for example, in the Tuscan and Venetian dialects rather than the Latin which was all but ubiquitous in scholarly circles at the time. It was this that helped form the basis of innumerable copycat accounting texts elsewhere in Europe and beyond from the early 16th century onwards.

A more cynical commentator might suggest that Pacioli was also the father of modern creative accountancy. As his text on inventories advises: "Giving to each entry an average price from your own personal knowledge, rather higher than low; that is, should they appear to you as worth 20, put them down at 24. By this means you will obtain better profit."

Others are certainly less convinced than Volmar about the Pacioli's legacy. Among the accusations are that he did not invent double-entry bookkeeping but merely codify it; that he may not have written the *Summa* himself; and that his text is flawed.

As early as 1550, he was being accused of plagiarising from the work Piero della Francesca, his first teacher. The father of modern Pacioli iconoclasm is Basil Yamey, emeritus professor at the London School of Economics. He has suggested a series of inadequate or confusing points in Pacioli's text that cast doubt on the usefulness of the text as a means of instruction in double-entry.

These views are shared by Richard Macve from the University of Wales, who also highlights vital omissions, contradictions and obscurities which he says make Pacioli's treatise like a computer software manual "which always seems to omit the crucial instruction".

He stresses that Pacioli's experience of commerce is second-hand, and that he fails to describe state of the art accounting already long in place in Venice, covering issues such as depreciation and contingency reserves.

Other scholars have traced rudimentary double-entry back at least as far as the 13th century, while some suggest it may have its origins in regions and eras as diverse as ancient Greece or Rome, Arabia, India, Iran, Peru and Spain.

The more fundamental question is whether double-entry bookkeeping matters anyway. Accountants have a vested interest in suggesting its importance as the lubricant if not the fuel powering the development of modern capitalism. They even have an unexpected ally in Goethe, who called it "one of the most beautiful inventions of the human spirit".

But while it may have been mathematically elegant, it may not have been mercantile-relevant. Yamey and Macve – to the dissent of many of their colleagues – suggest that double-entry did not become widely adopted in Europe or the US until the 19th century.

They suggest that while it may in modern time have helped provide co-ordination and control in large commercial organisations, it was not in any way vital for the development of entrepreneurial capitalism.

Nevertheless, whether for good or bad, accountants would probably have been far less populous in the world without Pacioli. That is his legacy, and the charge on which he should perhaps be tried.


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cancer research campaign

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A Director of Finance is now sought to control the organisation's Financial, Personnel and Administrative functions, whilst playing a key role in the development of future strategies. Specific responsibilities will include the provision of management accounts, budget forecasting, reserves control and advising on charity tax for the Campaign and three subsidiary companies. You will also oversee the IT systems, liaise with external investment managers and play an active role on the Management Committee.

This is a high profile and challenging position offering an excellent opportunity to become fully involved in all aspects of charity finance. You will be a qualified Accountant, preferably aged between 40 and 50 with good commercial experience and possibly some previous involvement in a charity. You must demonstrate proven ability to manage and motivate staff, possess excellent communication skills and experience of board level presentations.

*Please apply directly to Laura Mosby at Robert Half, Walter House, 418 The Strand, London WC2R 0PT.* Telephone 071-836 3545, or evenings on 0277 261433. Alternatively, fax your details on 071-836 4942. As retained consultants, any CV's submitted directly to our client will be forwarded to Robert Half

c£42,000

Central London

ROBERT HALF
Financial Recruitment Specialists

NOKIA

**TELECOMMUNICATIONS**

## UK CONTROLLER

Substantial Package - Huntingdon

**THE COMPANY** You will have the opportunity to join the fast expanding telecoms division of a world leader in the development and application of digital technology to switching, transmission, and cellular systems.

**THE ROLE** Based at Huntingdon, you will work closely with UK and Finnish senior management, contributing proactively to the continuing rapid growth of the UK entity.

**THE REQUIREMENT** First degree plus ACA, or ACMA. Progressive track record in a manufacturing environment followed by controllership duties in a multi-national company. You will be at home in a competence based, non-hierarchical culture. You will display the maturity, resilience and enthusiasm to fit quickly into a fast moving management team.

Boyden
45 Offices in 30 Countries

*Boyden International Limited*
*24 Queen Anne's Gate*
*London SW1H 9AA*
*071 222 9033*

Send CV in first instance quoting ref: 94/120

**European Bank**
**for Reconstruction and Development**

*The European Bank has a unique challenge: to assist the countries of central and eastern Europe and the former USSR in their transition to market economies. The European Bank supports projects through lending, taking equity positions and providing technical assistance.*

*The Banking Department focuses on the development of the private sector, restructuring and privatisation of the state assets, creation and strengthening of financial institutions, development and improvement of the environment.*

*Along with a competitive compensation and relocation package, we offer action and achievement in a truly historical enterprise. Assignments to the Bank's resident offices may also be considered.*

Based in London, our teams of top level, dedicated, experienced bankers need:

### Principal Bankers

☐ *to identify and run projects with limited supervision.*

With at least 6 years experience in transactions, project finance, venture capital, and/or privatisation, restructuring.

### Associate Bankers

☐ to conduct [illegible] financial analysis.

*With at least 2 years work experience in transactions, due diligence, project finance analysis, and/or privatisation restructuring.*

### Environmental Specialist

With a minimum of three years relevant experience to appraise financial sector projects, particularly financial intermediaries, and to further develop environmental procedures, monitoring and training initiatives related to the Bank's on-lending programme, broad experience in environmental appraisal of industrial projects.

**General requirements:** ☐ degree from a leading university ☐ work experience in a leading merchant/investment, commercial or development bank. Specific experience in project finance or development capital is particularly relevant, along with excellent negotiation and marketing skills. ☐ computer literacy is essential but the ability to look beyond the data is even more important. ☐ candidates must possess the confidence to make and to justify decisions based on vigorous analysis of often less than perfect financial operating information, and the demonstrated ability to generate work of an excellent standard with limited supervision. ☐ fluency in English is essential, fluency in Russian is important and fluency in other central and eastern European languages is desirable.

*To apply, please write in English quoting reference number FT0394 to: Mr Ernst Mahel, Senior Recruitment Adviser, Personnel Department, European Bank for Reconstruction and Development, One Exchange Square, London EC2A 2EH.*

*All applications will be acknowledged. Please help by not telephoning.*

*Essex* **£35,000 + Car**

# FINANCIAL CONTROLLER

## *Commercial Agent of Change*

Following a substantial strategic review, our client, a division of a major British financial services group, is facing a period of tremendous opportunity. Their core expertise is the provision of a range of outsourced IS management services and they have been created as a result of a restructuring in order to exploit further this expertise.

Critical to the success of this initiative is the role played by the Financial Controller. A key member of the senior management team and reporting to the General Manager, the Financial Controller will provide an important commercial input to the organisation in addition to upgrading financial and management information systems and managing the production of monthly accounting information.

The successful candidate will be a recently qualified accountant with a high level of business acumen. The ability to translate raw financial data into meaningful management information is essential as is the ability to use this information to underpin fundamental commercial decisions. This is a high profile role within a group that values strong financial control. Consequently, opportunity for career progression is excellent.

This is a rare opportunity to be involved at an early stage in an exciting business transformation. Please send or fax your CV to advising consultants, Goodman Graham & Associates, quoting reference number 8102, at 8 Beaumont Gate, Shenley Hill, Radlett, Herts WD7 7AR. Fax: 0923 854791.

GOODMAN GRAHAM
AND ASSOCIATES
A GOODMAN LURIE company

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*PETERBOROUGH*

**FINANCIAL DIRECTOR**
**To £35K + (FX) Car + Bens.**

A commercial 'hands-on' F.D. is sought by this expanding autonomous subsidiary of a *highly acquisitive fully listed plc.*

Candidates must be ACA qualified aged 35 or under, possess a good eye for detail and a decision maker. Prospects within the group are excellent.

*Contact Nick Stephens, Nicholas Andrews, 126 Colmore Row, Birmingham B3 3AP.*

*Nicholas Andrews*

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**APPOINTMENTS ADVERTISING**

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday. For information on advertising in this section please call Gareth Jones on 071 873 3779 Andrew Skarzynski on 071 873 4054

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# Finance Director

## to £50,000 + car + bonus
## West of England

This company is a fully autonomous profit accountable business within a £ multi-billion UK plc, manufacturing and supplying a very wide range of product to multi-national consumer groups and independent businesses. It is a strong cash and profit generator with an outstanding growth record and a strategy to tighten its grip on existing markets through a searching evaluation of the economics of its current business, in addition to an acquisition programme which will extend its range of operations.

The Finance Director will play a crucial role within the management team focusing on a range of strategic issues including the structure of operations, product and market profitability, major capital programmes and acquisitions. The position will require the development of a finance function strong in financial analysis and management reporting as well as fundamental accounting, and strong leadership of the business systems/IT function.

Applicants must be creative, graduate calibre accountants with experience at a senior level in a substantial manufacturing group which operates to top multi-national standards. Strong inter-personal and communication skills should accompany managerial experience and a flair for leadership. There are excellent further prospects within the Group.

Age guideline 32-40.

Please reply in confidence quoting ref L550 to:

Brian H. Mason,
Mason & Nurse Associates,
1 Lancaster Place, Strand,
London WC2E 7EB.
Tel: 071-240 7805.

**Mason & Nurse**
Selection & Search

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PolyGram

# Foreign Exchange Manager

PolyGram is one of the three largest music companies worldwide and the largest in the UK. In addition to its continued success in pop, classics and music publishing, PolyGram is on track with its expansion into filmed entertainment. An impressive strategy of growth has created record sales in the past year of over £2.6 billion, with 30 of PolyGram's albums selling in excess of 1 million units each.

An outstanding opportunity has arisen for a high calibre Foreign Exchange Manager based at PolyGram International in Central London to play a significant role within the group treasury function.

Reporting to the Deputy Group Treasurer this is a key role involving considerable international liaison and reporting. Your varied brief will include:

- Management of Treasury Systems;
- Management of Currency Pools;
- Management of Local Currency Invoicing System;
- Intercompany payments, loans, deposits and forex;
- Special projects, ad hoc analyses and reporting.

Prospective candidates are likely to be aged between 30 and 35, perhaps ACT part or fully qualified and possessing a minimum of 3-4 years relevant Foreign Exchange/Treasury experience gained within an international organisation. First-class communication skills combined with a high degree of motivation, drive and ambition are pre-requisites.

Preference will also be given to candidates who have worked in continental Europe and particularly those who possess fluency in at least one European language. Ideally, you should also have extensive Bank of America, "International Treasurer" and Lotus 123 systems experience.

Applications are invited from individuals who feel they have the necessary qualities to make a contribution to this dynamic business and take advantage of the excellent future prospects. A competitive package is offered and includes a company car and free parking.

Please write, enclosing a comprehensive curriculum vitae including current salary details to Elizabeth Tinch at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH, quoting ref. 183063, by 31st March 1994.

**Michael Page Finance**
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

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Bass

# GROUP CHIEF ACCOUNTANT

## from £50,000 + outstanding benefits package

**Bass PLC has an enviable reputation and record as one of the UK's leading groups with substantial interests in drinks, hotels and retailing. With well established investor relations it is at the forefront of best practice in the field of accounting disclosure. Following promotion to a divisional directorship, an excellent opportunity has arisen for a Chartered Accountant to become a key member of the central finance function.**

- Controlling a small team of professionally able accountants you will be responsible for the production of the Group's Financial Statements and for providing accounting advice to divisional and senior Group management and information to investors.
- You will establish and review the Group's accounting policies as required and will play a key role in the design and development of its computer based accounting systems.
- Aged under 40, you will currently be at either a senior managerial level with a major practice or at the centre of a multi-national group using sophisticated external and internal reporting techniques.
- You will have a strong technical bias, including ideally a knowledge of US accounting practices. You will also have the ability to command the respect of senior divisional executives, using your internal consultancy skills to form effective relationships and to work closely with them on a broad spectrum of major projects.
- Bass offers a significant package that includes share options, bonus and other benefits associated with a senior position.

Please write with full CV, including salary history and daytime telephone number quoting reference 3042/FT, to John Sleigh FCCA, Phillips & Carpenter, 2-5 Old Bond Street, London W1X 3TB.
Tel: 071-493 0156 (24 hours).

*Phillips & Carpenter*
Selection Consultants

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# BUSINESS PLANNING EXECUTIVE

## A rare opportunity to plan more than a career

**Salary + benefits London, SW1**

The Commonwealth Development Corporation (CDC) is a UK Public Corporation providing investment and business support for 240 projects in over 50 developing countries.

We have over £1.5 billion currently committed and are making new commitments of over £200 million per year.

At such a time, the challenge of being our Business Planning Executive is a particularly interesting one, matching outflows for investment in capital projects with the resources available.

On a day to day basis your involvement will be total- from providing management information on the status of new operations and modelling future flows, to refining and further developing our systems.

Reporting directly to the head of Planning and Treasury and working with senior management, the position enjoys a high profile within the organisation and offers opportunities for career progression.

You are likely to be a recently qualified accountant or MBA with spreadsheet knowledge and an interest in the quantitative aspects of management information and business planning.

Above all, you are a confident communicator who will relish the opportunity to work at the heart of an organisation which helps overseas countries to develop their economies.

In addition to the salary, we offer an attractive benefits package which includes a subsidised mortgage programme and non-contributory pension scheme.

To apply, write with details of current salary quoting serial 2357 to: Valerie Latham, Senior Personnel Executive, CDC, One Bessborough Gardens, London SW1V 2JQ.

CDC
Britain Investing in Development

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# TREASURY REPORTING

*An unusual opportunity for a young accountant with some exposure to the Securities sector to gain Treasury experience within the rapidly developing London operation of a US Investment Bank.*

**CITY** **to £30,000 + bonus**

As part of the firm's continued commitment to Europe, the Treasury function is in the process of expanding.

This strategic appointment will initially be concerned primarily with the strengthening and enhancement of management reporting for the funding aspects of existing and new products. Strong analytical skills and an interest in the development of computerised systems is essential.

As head of a reporting team of three, the role involves extensive liaison with the front office as well as with the Treasury funding team. To take full advantage of the opportunities in this fast-paced environment, it is likely that you will have a pro-active approach, a resilient character and the potential to pursue a broader career within Treasury.

*If you want to be part of culture where performance really does influence reward, please contact Susan Milford at Carrington Heath, City Business Centre, 2 London Wall Buildings, London Wall, EC2M 5PP, quoting reference 148918.*

*Tel: 071 628 4200 (eve. 0483 37480)* CARRINGTON HEATH *Fax: 0483 576724*

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# GROUP CREDIT MANAGER - KUWAIT

**c. £40,000 Tax Free + Full expatriate benefits**

One of Kuwait's leading highly diversified and professionally managed Groups of Companies with 3000 employees and sales turnover in excess of USD 200 million requires a Group Credit Manager. The Group's operations include Automotive dealerships, Project Engineering, Consumer durables, Computers, Insurance, Travel and various service support entities and international Joint Ventures amongst its many diverse activities.

Key responsibilities for projected debt of USD 100 million will include:

- strategic planning and management of all Group credit through the Credit and Legal Departments with a combined staff of 60
- day to day management of credit approvals with particular reference to hire purchase instalment credit, related accounting, administration, debt recovery and computer systems
- optimisation of profitability by effective cost control.

This challenging senior management position is not a conventional credit processing role but one which offers the successful candidate a real chance to make an impact on the business with a self motivated and flexible 'hands-on' approach.

Candidates aged 35-50 must show commercial acumen, communication skills and would hold an appropriately recognised professional qualification. *A proven track record in a hire purchase consumer loan environment is essential.*

Please write enclosing a comprehensive CV and a passport size photograph to The Almulla Group, c/o Recallfind Limited, 2nd Floor, 113 Baker Street, London W1M 2FE.

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# Audit Manager

**North West** **to £40,000, car, benefits**

Highly autonomous, rapidly expanding retail division of circa £1.4 billion turnover UK Plc seeks talented finance professional to establish effective audit function to enhance management and financial controls. Ambitious young management team committed to achieve a turnover of £400 million through aggressive store opening programme and increased market share.

### THE ROLE

Establish and develop effective audit service to retail, distribution, service and head office operations • Lead, develop and motivate dedicated professional team to enhance internal control systems and improve efficiency and profitability across all operational areas • Work closely with units to highlight and address critical business areas.

### THE QUALIFICATIONS

Graduate Accountant, late twenties/early thirties, with exceptional record of professional and academic achievement. Personal stature and presence • Previous retail experience and exposure to substantial and complex organisations • Motivated, ambitious and excellent communicator. Credibility to work with and influence senior management.

Please reply in writing to BHM Search & Selection 27 York Place Leeds LS1 2EY enclosing a full curriculum vitae and quoting Reference BHM 10071. Telephone 0532 467033 Facsimile 0532 470191.

BHM
SEARCH & SELECTION

*To £80,000 package + benefits* **Multinational UK Plc** **London**

## Group Chief Accountant

***Rare opportunity for a high calibre Chartered Accountant within a complex, divisionalised quoted group with substantial overseas operations. The key challenges are to ensure best practice in group reporting, provide a first class forecasting service and support Group Finance in underscoring the atmosphere of tight financial control at the centre.***

**THE ROLE**

- Key member of a new Group finance team, reporting to the Group Financial Controller, undertaking a fundamental review of Group reporting and control. Creating a centre of excellence on Group-wide technical accounting issues supporting the Divisional Finance Directors.
- Full responsibility for enhancing Group financial accounting and reporting. Supporting a major systems upgrade project as a key contact for third party advisors.
- Leading a small Head Office team providing Group forecasts and budgets to allow identification of key performance measures and variances from budget.

**THE QUALIFICATIONS**

- Outstanding 'big six' trained graduate ACA, aged early 30s+ with experience at the centre of a rigorously controlled complex international quoted Group.
- Commercially-focused technical expert dedicated to establishing and maintaining exemplary corporate compliance. Highly IT literate.
- An energetic, mature and positive individual with stature and credibility. A hands-on implementor with integrity, toughness and character.

Leeds 0532 307774
London 071 493 1238
Manchester 061 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to: Selector Europe, 16 Connaught Place, London W2 2ED

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FMS

## BROAD FINANCIAL AND COMMERCIAL RESPONSIBILITY

### Full Business Involvement

Many advertisements claim the above. Our client can substantiate this claim through a role which demands a proactive commercial input and creative innovation.

As Financial Controller of this rapidly developing unit within a profitable division of a £ billion turnover brand name you will enjoy the following responsibilities:

- Reporting to the General Manager, you will provide overall financial direction and control through 4 staff
- A high profile role within the unit's management team, influencing commercial decisions and strategic business plans
- A wider involvement within the Divisional Finance team and the opportunity to play a key role in important developments

As a young qualified Accountant (likely age 27-32 years), your high level of financial integrity and technical ability are taken as read. The essential attributes which this opportunity demands include:

- Strong influencing skills and high level of personal and commercial credibility
- An innovative approach to business development and an ability to promote your own original ideas (as well as objectively evaluate those of other key personnel)
- A determination to progress within the organisation

The position is based in Berkshire but will involve regular travel throughout the UK locations.

**If you are keen to pursue this exceptional career opportunity you should write to Karen Wilson, Director as soon as possible at FMS, 5 Bream's Buildings, Chancery Lane, London EC4A 1DY enclosing a recent CV and a note of current salary.**

BERKS

£30-£35,000 PLUS BONUS PLUS CAR

**A MEMBER OF THE PSD GROUP**

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# Head of Product Control

## London

Our client is a dynamic international bank which prides itself on remaining at the forefront of global product innovation and development. Responsiveness to continual change and the increasing complexity of derivatives trading necessitate the appointment of a Head of Product Control.

This high profile role is wide ranging, covering all aspects of financial control, business support, valuation and risk management for the Treasury, Capital Markets and Fixed Income businesses, with a future need to provide similar support to Equities.

Extensive liaison with the front office and the leadership and motivation of a large team will be essential to ensure that future developments, in addition to day to day control issues, are effectively managed.

The individual we seek will be a qualified accountant who is a self motivated high achiever, with extensive experience gained in financial services. Strong derivative product knowledge, exposure to risk management, excellent interpersonal skills, a desire to influence the business and a flexible approach are pre-requisite to the appointment.

An excellent remuneration package, including generous basic salary and full banking benefits, reflects the seniority of this position.

Interested applicants should forward a comprehensive CV, quoting reference 183703, to Diane Forrester ACA, Executive Division, Michael Page Finance, 39-41 Parker Street, London WC2B 5LH.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

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# GROUP FINANCIAL DIRECTOR

## Surrey

## £65,000 + Car + plc Benefits

This research based pharmaceutical company has prescription products on the market in several countries, an internationally recognised series of OTC brands, and a strong pipeline of important innovative medicines. One of the smaller companies in the pharmaceutical sector listed on the London Stock Exchange, it has a Board of Directors of international standing and exceptional opportunities for future growth.

Reporting to the Chief Executive, you will assume full responsibility for financial affairs and be involved in preparing the company for major national and international development. You will have considerable involvement with the city and its institutions and with equivalent organisations in the USA. You will be responsible for advising the board of the financial implications of business decisions in all sectors of the company including R&D, manufacturing, marketing and sales.

The position is not a conventional processing role, but one which will attract and reward a graduate qualified accountant, probably but not necessarily in the age range 35-45, with experience of Plc financial management, ideally gained with companies which have important R&D and manufacturing activities.

*Interested candidates should write promptly to Mark Rowley enclosing a full Curriculum Vitae, quoting reference MR453.*

HARRISON WILLIS
SEARCH AND SELECTION PARTNERSHIP
39-40 Albemarle St., London W1X 3FD. Tel: 071-629 4463
LONDON • READING • GUILDFORD • ST ALBANS • BRISTOL • BIRMINGHAM

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# *Director of Finance*

## *c. £55,000 + bonus + share options – Home Counties*

For the European division of an internationally renowned consumer goods company with worldwide sales of £1bn+.

The brands are well established and heavily supported in the UK and on the Continent. New brand introductions and acquisitions are planned to maintain rapid growth.

- **RESPONSIBILITY** is to the President, Europe, for high standards of financial control, reporting, analysis, planning and information across the division combined with direct responsibility for the management of the UK finance function. There will be a significant involvement in corporate development and all major commercial negotiations.
- **THE NEED** is for a qualified accountant, educated to degree standard, with a proven record of senior financial management in an international group. Familiarity with GAAP reporting and fluency in Italian are highly desirable. Energy, rigour and a hands on style will be the hallmarks of the successful candidate.

Write in confidence, enclosing a Curriculum Vitae and quoting ref: T7733 to

TK SELECTION
8 Hallam Street, London, W1N 6DJ Fax: 071 631 5317
**A DIVISION OF TYZACK & PARTNERS**

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## Product Analysis & Support – City

### Exceptional Qualified Accountant £ Excellent Package

**NatWest Markets holds a pre-eminent position in the world of corporate and investment banking. Comprised of nine highly successful businesses, our activities cover trading, corporate banking, asset management and specialist advice. We employ over 5,300 staff across 32 locations in 14 countries, supported by assets of £50 billion. NatWest Markets combines expertise with exceptional strength, energy and ambition – a unique combination which is reflected in our continuous record of growth and success.**

**Our expansion has created a role within the middle office trading support function of the Securities Division. You will take responsibility for identifying the risks, proposing accounting policies and the periodic reporting for a discrete team of equity/equity derivative traders. In particular, the position covers the control and assessment of ongoing and proposed business strategies. You must also possess the technical skills and the supervisory experience necessary to motivate and lead a small team and the confidence to liaise effectively with trading, taxation, legal and operations personnel.**

**Probably aged 26-32, you will be a qualified accountant with at least two years post-qualification experience of a banking environment. A significant proportion of this time must have been spent within a product control function. Alternatively, you may be working within Public Practice and have extensive exposure to financial markets. Strong interpersonal skills, a high degree of professionalism and the ability to work to tight deadlines will be essential. This high profile role will also require the competence to deal with senior management and to provide innovative solutions to business problems as they arise.**

**For further information, please contact our advising consultants, Guy Townsend or Brian Hamill of Walker Hamill Ltd on 071 287 6285. Alternatively, forward a brief resumé to their London office at 29-30 Kingly Street, London, W1R 5LB, quoting reference GT312. All direct responses will be forwarded to Walker Hamill.**

NWM
NATWEST MARKETS
*Corporate & Investment Banking*

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## FINANCIAL CONTROLLER

**SURREY** **ATTRACTIVE SALARY AND PACKAGE NEGOTIABLE**

**For a fast growing private company with a current turnover of £15 million, which designs and supplies innovative products in the Auto Accessory, Auto Security and Garden Accessory markets, in the U.K. and mainland Europe.**

Reporting to the Managing Director you will be responsible for the day to day operation of all aspects of the finance, accounting and systems functions of the company supported by a small accounts team and a systems manager. In addition to possessing strong cash and inventory management skills, the successful candidate should be able to report effectively and to advise non-financial managers on budgetary and control issues.

You will be 30 - 40, a qualified accountant, preferably ACMA, and highly computer literate. You must be commercially aware with good experience in a quality production environment where the customer is of top priority.

You will be lively and energetic with a strong interest in all aspects of the business and in working with line managers in a positive and supportive way.

Please send your career and current salary details, marked private and confidential to:

METRO PRODUCTS

Barrie Martin
Managing Director
Metro Products (Accessories & Leisure) Ltd.
Eastman House
118 Station Road East
Oxted Surrey RH8 0QA

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## INTERNAL AUDITOR

SURREY

c.£25,000 + CAR + BENEFITS

Our client, a major service industry group in the business-to-business sector has an up-to-date approach to the role of audit in business.

Promotion of a present incumbent to a line role has created an opening for a graduate ACA to join the internal audit department as manager of the small young Head Office team.

Reporting to a Group Internal Audit Manager the role consists of supervisory responsibility for all audits, covering group systems at Head Office and field operations in the South, some of which will be carried out with direct participation and some assigned to other staff.

Probably aged 25+ with one or two years post qualification experience, self motivation, ambition and excellent interpersonal skills are a pre-requisite for the appointment.

Benefits which include an in-house fitness centre are excellent as are personal development prospects.

Please write in complete confidence quoting Ref. DN394 to:

EXECUTIVE 2000 SEARCH AND SELECTION
Executive 2000 Search & Selection
Sutton Park House, 15 Carshalton Road,
Sutton, Surrey SM1 4LD Fax: 081-643 8663

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International IOR Rectifier

## CHIEF ACCOUNTANT

**Oxted, Surrey** **Competitive Salary**

Our client, is the £56m UK subsidiary of a multi-million dollar American hi-tech multi-national. International Rectifier is the market leader in the supply of power transducers to a wide range of 'blue chip' consumer, automotive and industrial clients, many of whom are household names.

With both historic and forecast year on year growth of 20-25%, International Rectifiers' mission statement dictates worldwide revenue of $1BN by the turn of the century. In order to accommodate this growth they are seeking a pro-active individual who has not only a strong technical background, but also the ability to improve the reporting cycles, aid in the implementation of advanced systems and manage the control of their treasury function.

The ideal candidate will be a qualified accountant with commercial experience gained either in a manufacturing or a service organisation. This is a superb opportunity to grasp a challenging role in a company which seeks to dominate its' market and expand into new European and Worldwide markets.

Please send or fax details to Keith Tracy, Heathfield Hargreaves Ltd, 6 Boltro Road, Haywards Heath, West Sussex RH16 1BB. Tel: 0444 416636 Fax: 0444 416002.

HEATHFIELD HARGREAVES LIMITED
London · Sussex · Northampton

## FINANCE DIRECTOR

**Kent** **£40,000 + Car + Benefits**

Our client, a well established Public Limited Company in the financial services sector is now seeking to appoint a Finance Director.

This Main Board appointment will report directly to the Group Managing Director. Your brief will be to make a significant contribution to the development of the group's financial strategy and policies with other members of the Main Board. You will also be responsible for reviewing and developing the group's financial structure, together with ensuring that comprehensive controls and reporting procedures exist in all areas of the business. Additionally, it will be necessary for you to liaise with external advisors and regulatory bodies, as well as guaranteeing that financial information is produced accurately and to a deadline.

Candidates, with experience in corporate finance, should be aged 35 to 50, and have at least 10 years post qualification experience gained preferably in the financial services sector.

Please write, enclosing your CV and salary details to:-

Sylvia Adams,
Personnel Consultant,
Menzies Personnel Consultants,
Ashby House,
64 High Street,
Walton on Thames,
Surrey. KT12 1BW
Tel: 0932 247611

MENZIES
PERSONNEL CONSULTANTS

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THE Carphone Warehouse
MOBILE COMMUNICATION CENTRES

## CHIEF ACCOUNTANT

**Central London** **to £35,000 + benefits**

The Carphone Warehouse is the leading retailer of mobile communications equipment in the UK and is experiencing a period of rapid growth (t/o £40m). The company now seeks to recruit an experienced Chief Accountant to strengthen the finance function to accommodate the next stage of its development.

Reporting to the Finance Director, you will be responsible for the production of weekly/monthly management information and financial reporting to tight deadlines. Statutory accounts, budgets and a variety of project based assignments will be a major part of the role together with continual enhancement of strong financial and cost controls.

Candidates aged 35-50, are likely to be qualified ACA or ACCA and have a proven track record at senior management level within a multi-site retail environment. Candidates will demonstrate a strong work ethic and high level of experience in integrated financial/operational computer systems.

Candidates should forward their curriculum vitae to
Edward Charlton at Charlton Holden Accountancy,
12 Upper King Street, Norwich NR3 1HA. Telephone 0603 767675

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HOME SHOPPING Littlewoods HOME SHOPPING GROUP AT ITS VERY BEST

# Finance Professionals

## Liverpool

**This profitable, well managed Division of The Littlewoods Organisation plc has a turnover in excess of £1bn. The business is building on its success to date and pursuing new market opportunities. Committed to developing its staff, the finance team requires three key individuals for vacancies created by internal promotions.**

### Financial Controller Sales & Product Analysis

To £45,000 + Car & Benefits

**THE POSITION**

- Provide product and outlet profitability information. Form key relationships with Buying and Merchandising Directors.
- Account for and analyse sales. Control stock accounting. Develop existing systems.
- Report to Finance Director. Manage team of 60+ including substantial accounts payable department.

**QUALIFICATIONS**

- Ideally early-mid 30's. Graduate calibre. Qualified CIMA or ACA.
- Strong technical experience in stock control and product costing, possibly gained in manufacturing environment. Background in systems development and implementation.
- Excellent communication skills. Ambitious and capable of career progression.

Ref MN1038

### Systems Accountant

To £33,000 + Car & Benefits

**THE POSITION**

- Develop new integrated systems in line with finance function needs. Ensure data flow integrity.
- Manage small team. Liaise with IS department and users. Represent finance function in inter-departmental working parties.
- Develop flexible systems to meet changing business requirements.

**QUALIFICATIONS**

- Graduate calibre qualified accountant. Knowledge of systems design and implementation. Probably aged 28+.
- Specialist in large computer systems in an integrated environment. Oracle and Unix experience an advantage.
- Creative problem solver. Confident and articulate. Broad business awareness.

Ref MN1039

### Financial Planning Manager

To £35,000 + Car & Benefits

**THE POSITION**

- Control, co-ordinate and review financial planning of Division.
- Enhance corporate planning model and evaluate new business opportunities. Appraise major capital investments.
- Liaise closely with other departments on existing and new business profitability.

**QUALIFICATIONS**

- Graduate calibre qualified accountant. Commercial experience in large corporate environment with PC and mainframe modelling packages.
- Professional approach with excellent communication and presentational skills. Able to form relationships at all levels
- Self-motivated with initiative and originality. Team player. Probably aged 28+.

Ref MN1040

Please send full cv, stating salary,and quoting relevant reference, NBS, Courthill House, Water Lane, Wilmslow, Cheshire, SK9 5AP

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FINANCIAL TIMES SURVEY

# SCOTLAND

Friday March 18 1994

The Tories seek radical change in the map of local government: Page II

EU funding may bring a ray of hope to Highland economic gloom: Page IV

Glasgow, on the river Clyde, is Scotland's largest city and capital of the Strathclyde region .....

..... Edinburgh, 66 km east of Glasgow, is proud to call itself Scotland's capital

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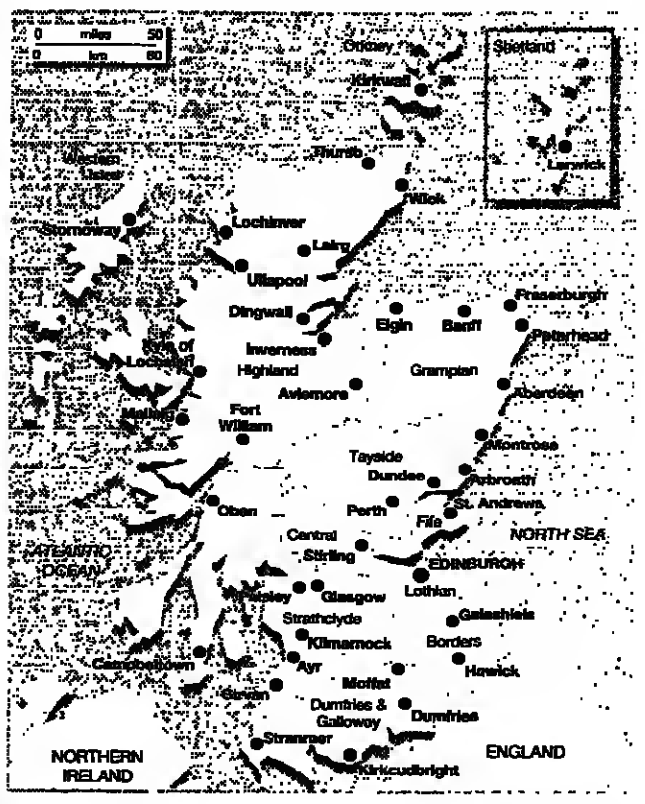


Scotland's economy has done better in recession than many other parts of the UK. Demand for constitutional change has gone quiet since the 1992 general election and the main political controversy now is over the proposed reform of local government. **James Buxton reports**

## Nearly a trouble-free zone

When Jnhn Major, the UK prime minister, looks through his cabinet papers it is unlikely that he needs to linger very long on those concerning Scotland.

After the turbulence in Scottish affairs which lasted from the late 1980s up tn the 1992 general electinn, Scntland is today one of the few areas under the government's care that are almost trouble free.

Its citizens are no lnnger in sullen revolt over the now defunct pnll tax or otber unpopular government measures. Nor are they engaged in hectic debate about Scotland obtaining its own devolved parliament – or seceding from the UK altogether.

Instead they are concerned with the more mundane issues of making a living during the ecouomy's slow emergence from a recession whicb in Scotland was relatively mild, but which still made people who kept their jobs feel they were lucky.

The 1992 election was a watershed for Scotland. The Conservatives had made Scotland's constitutional future their main issue north of the border, campaigning against both devolution or indepeodence proposed by their opponents. Because the party won the election nationally and was the only party in Scotland to increase both its number of seats and its share of the vote (marginally, hut against all predictions), the movement for constitutional change was halted.

Yet Scotland is still governed hy a party whicb won little more than a quarter of tbe Scottisb vote at tbe general election.

The response of Mr Ian Lang, the Scottisb secretary whom Mr John Major appointed wben be became prime minister in 1990, was to call for a change of tooe and a note of reconciliation in Scottisb politics. He added then, however, that "the policies will remain the same but the pace and flavour of tbem will be tempered."

The government has become less confrontational and more deft in its handling of Scotland. It has slowed tbe pace of reforms to the Scottish education system, reached a truce witb the schoolteacbers and does not seem too concerned tbat only one secondary school has opted out of local authority control. After putting out to public consultation the option of privatising the Scottish water industry, it backed off in the face of almost universal opposition.

Yet most healtb service hospitals in Scotland are administered by trusts or soon will be, and opposition to them long since became little more than ritual. The government, far from sheltering ScotRail, the Scottisb arm of British Rail, from the full force of railway privatisation, intends it to be one of the first parts of the network to be franchised – but preferably to a franchisee with Scottisb credentials.

Tbe government no longer insists on appointing Conservative party supporters to every vacancy on its many quangos. Recently Mr Campbell Christie, general secretary of Scottish TUC, joined the board of a hospital trust.

The government's response to agitation for constitutional change was to produce a document which acknowledged that Scotland was a nation, and outlined ways in which the union of the United Kingdom could work better for Scotland. More administration is being devolved from Whitehall to the Scottish Office, and the grand committee of 72 Scottish MPs is to consider uncontentious Scottish legislation and will be able to question ministers.

But the necessary changes to standing orders are waiting for the Labour opposition "to start behaving," in the words of Mr Lang, before they are debated and implemented.

It is a sign of the government's confidence that devolution is off the agenda that it wisbes to dispose of the Royal High School, the building in Edinburgh which contains the chamber built in 1978 for a Scottish assembly.

One of Mr Lang's strongest arguments against a devolved parliament is that it would imperil Scotland's access to resources and decision-making in London.

Yet the fact that the Treasury and the Foreign Office have been able to override the Scottish Office on the question of supporting Scottish salmon farmers in their dispute with Norway over alleged dumping shows that Scottish influence has its limits.

Many people are surprised that Scotland accepts, albeit grudgingly, policies which the majority of Scots oppose. Arnold Kemp, the editor of The Herald (formerly the Glasgow Herald) newspaper, gives this explanation in his recent book The Hollow Drum – Scotland since the War*:

"Scotland is a nation so divided by regional jealousies and tortured by self-doubt, in which radical or socialist politics have never been able to form an enduring alliance with bourgeois or romantic nationalism, that it is easy for the UK ruling party to govern it without a majority of Scottisb seats."

A good example of the way the government exploits those divisions shows in the lack of united opposition to the plan to reform Scottish local government, replacing the existing two tier system with a large number of unitary councils. Mr Lang has not convinced many people that the new system will necessarily be more effective or more economical than the present one, but hy offering many local communities their own single tier council he has set the representatives of the districts against those of the regions.

But Tory successes over policy have not translated into voting support. Two opinion polls pnblished this month show support for the Conservatives in Scotland at only 13 per cent and 14 per cent, the lowest levels ever. For the first time, the Conservatives were in fourth place after Labour (49 per cent according to System Three), the SNP (25 per cent) and the Liberal Democrats (14 per cent).

It was a rotten augury for the regional council elections in May and the European elections in June. Mr Lang told the Financial Times that difficulties in popularity in Scotland related to the UK political situation and that the Tories no longer faced "hostility of the deep-rooted and very focused kind that we experienced at the last election."

The Tories are unlikely to benefit from the upturn in the economy because altbougb Scotland did not go deeply into recession, there is little confidence that things are decisively better.

"A lot of companies had unrealistic expectations of what recovery wnuld look like," according to Mr Hamish Morrison, chief executive of the Scottish Council Development and Industry, which lobbies for economic development. "Their managers are keeping their beads down and are reluctant to spend or invest. That could defeat the vigorous recovery we would like to see."

It is a sign of how much the Scottish economy has changed in the past few years that the sector spearbeading the recovery in output is the (largely foreign-owned) computer industry. Financial services are also doing quite well. The Ravenscraig steel plant (closed in 1992) and almost all Scottish heavy industry are only memories.

That perturbs many Scots – but does not matter, provided Scotland can break the cycle hy which it has consistently failed to generate enough new husinesses and jobs, thus forcing people tn emigrate to England or elsewhere and causing the Scottisb population (now 5.1m) to decline gently. The chairman of Scottish Enterprise, Professor Donald MacKay, said recently that if, since 1955, Scotland had matched the rest of the UK in generating new businesses, it would have created 140,000 extra jobs.

That is why an initiative launched last year by Scottish Enterprise to help more Scots develop an entrepreneurial culture is so important.

Aa a member of Edinburgh's professional classes said recently: "For me the acid test of wbether Scotland is really improving is whether my son, who is now 15, gets a satisfactory job in Scotland when be leaves university, or wbether be has to board the train to London."

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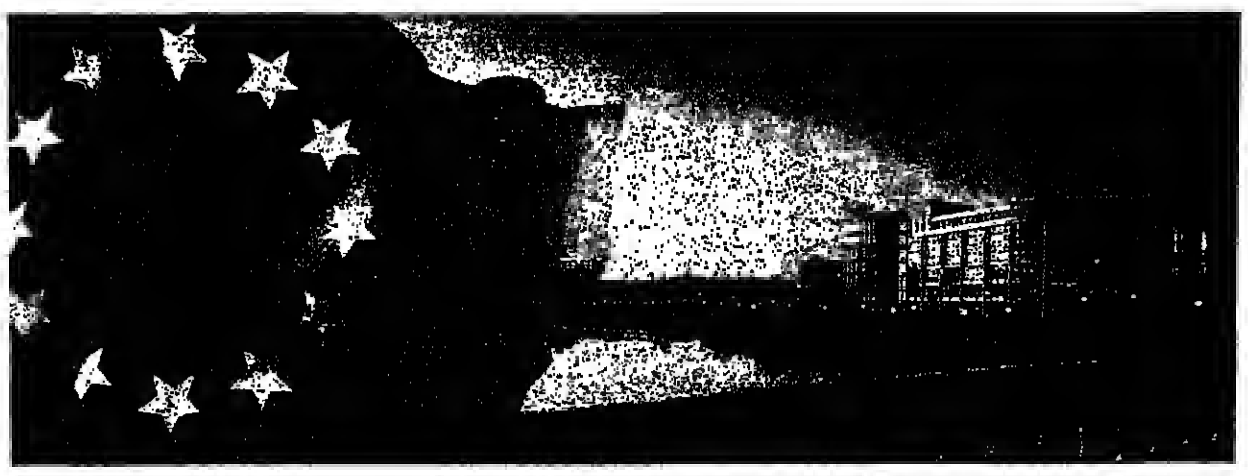


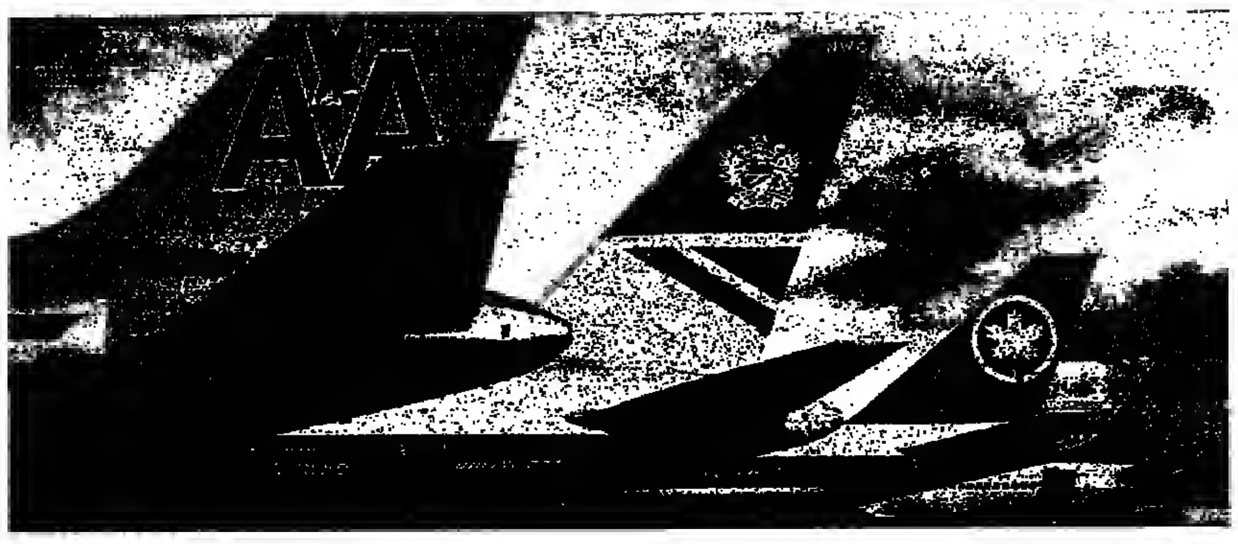

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**James Buxton** examines the economy in the aftermath of recession

# The cycle is different

"Scotland," says Mr Jeremy Peat, chief economist of the Royal Bank of Scotland, "tends to outperform the UK during a recession, but do less well, relatively speaking, when the UK economy turns up."

The first part of that remark is almost an understatement. Scotland had a remarkably mild recession in the early 1990s. As Professor Donald MacKay, chairman of Scottish Enterprise, the economic development agency, pointed out in a speech a few days ago, the Scottish economy showed greater resilience in recession than that of southern Britain.

Redundancies in Scotland, he said, had been lower, the rate of business failures was smaller, real incomes increased more rapidly, manufacturing held up better and retail sales were more buoyant.

To the amazement of seasoned economists, Scotland's unemployment rate was overtaken by the UK average in late 1991 and has remained below it – a phenomenon never seen since formal measurement of unemployment began in the 1920s. In January seasonally adjusted unemployment in Scotland was 9.4 per cent, compared with the UK level of 9.9 per cent, and unemployment in Scotland was worse only than East Anglia, the East Midlands and the South-West.

Just as Scotland never experienced the full force of the boom of the late 1980s, neither did it have to cope with the bust. Neither Scottish individuals nor Scottish companies became heavily indebted in the way that many in southern England did, and accordingly suffered much less when the economy turned down.

Scotland also suffered less, as Prof MacKay pointed out, because it had lost its smokestack industries in the 1980s and acquired, mainly through inward investment, a world-class electronics and information technology industry. In fact, if the category "electrical and instrument engineering" is stripped out of the official statistics, Scottish manufacturing output shows a worrying decline from mid-1991 onwards.

Yet shallow recession is still painful for many people and 9.4 per cent unemployment is far too high. It is hard to convince a Glasgow taxi driver, struggling to comprehend how the de-industrialised city now earns its living, that the disappearance of smokestack industries is anything but a tragedy and a betrayal.

The question now is whether the Scottish economy will follow its historic pattern, with its growth rate dropping below that of the UK, or whether some of the factors which made the recession in Scotland shallow will continue to preserve Scotland's relative buoyancy.

Most economic forecasters believe that gross domestic product growth in Scotland will lag slightly behind that of the UK in 1994 and 1995, because southern England has the capacity to expand faster. The average of six independent forecasts of GDP growth in Scotland for 1994 and 1995 suggest that in 1994 the Scottish economy will grow by 2.4 per cent against the UK's 2.6 per cent, and the gap will be much the same in 1995.

The report Regional Economic Prospects by Cambridge Econometrics is unusual in suggesting that Scotland's GDP growth will exceed that of the UK this year, though it says it will tail off next year.

The North Sea oil industry, which is another main factor keeping Scotland's economy up during the recession, achieved its highest output of oil since 1988 in January 1994, reaching 2.4 barrels per day. Output is expected to continue growing to late 1995.

But while forecasts by Scottish Enterprise of a marked downturn in expenditure by the offshore oil industry were recently revised upwards, the offshore fabrication yards are desperately short of orders.

Scotland, having done relatively well out of defence expenditure over the decades of the Cold War, is now suffering from the defence cuts. The Rosyth naval dockyard in Fife has seen its workforce fall from 6,000 in 1988 to the current level of 3,600, because of a diminished workload from the navy. Last year the government awarded the contract for servicing Trident submarines to Devonport instead of Rosyth, and although it allocated Rosyth surface ship work until 2005, Babcock Thorn, the yard's managers, say employment could by then have dropped to 2,200.

One potential bright spot highlighted by Mr Peat of the Royal Bank of Scotland is spending on infrastructure. Scotland is reckoned to have done relatively well in the 1994/95 public expenditure round. A big investment programme in roads is being kept up.

Every economy is a patchwork of light and shade. Prof Donald MacKay said in a speech last autumn that Scotland had over the 1955-1992 period matched the efficiency gains achieved by the UK economy, but had failed to maintain its share of UK employment – if it had, another 140,000 jobs would have been created. "We have clearly failed to diversify existing businesses or introduce new activities," he said, pointing also to Scotland's low birthrate for new businesses.

This was despite having higher public expenditure per head than the rest of Britain, favourable treatment under regional policy, consistent success in winning inward investment and the benefit of North Sea oil on its doorstep.

Scotland's dependence on inward investment was recently starkly underlined in a study of the Scottish electronics industry by the US Monitor consultancy. It said that because the industry consisted largely of foreign-owned branch plants it lacked the ability to respond spontaneously to market opportunities.

It also said that sectors such as defence electronics were likely to be hit by the decline in defence spending; that future inward investors might find eastern Europe a cheaper location than Scotland; and that Scotland might miss out on future developments in electronics. If nothing were done and no new inward investors came, employment might fall from the current 45,000 to 27,500.

Monitor's findings appeared to some to be unduly alarmist. Nevertheless its report was accompanied by the creation of the Scottish Electronics Forum, an unprecedented grouping of both multinationals and indigenous Scottish companies which is working on ways of strengthening the industry's competitiveness.

Some senior people in the industry believe, however, that a change in government policy is needed, to give more encouragement to multinationals to carry out research and development (R&D) in Scotland, thus giving them deeper roots, and to support more innovation by indigenous companies to match the big grants available to companies which create jobs in large numbers.

These arguments do not find great favour with Mr Ian Lang, the Scottish secretary: "I don't regard [inward investment] as the only answer to Scotland's problems, or the only alternative to indigenous industry.

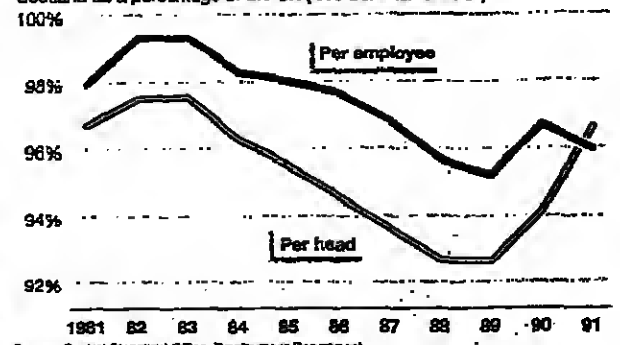
"I think our schemes do work because we are actually winning the battle on R&D, and getting more R&D, just as we are getting more inward investment, and we're doing it without buying it at a higher price such as other less competitive countries are willing to pay."

Future perspective: a pedestrian access way to the exhibition centre in Glasgow — Picture: Tony Andrews

**Scotland's dependence on inward investment was starkly underlined in a study of the electronics industry**

**GDP**

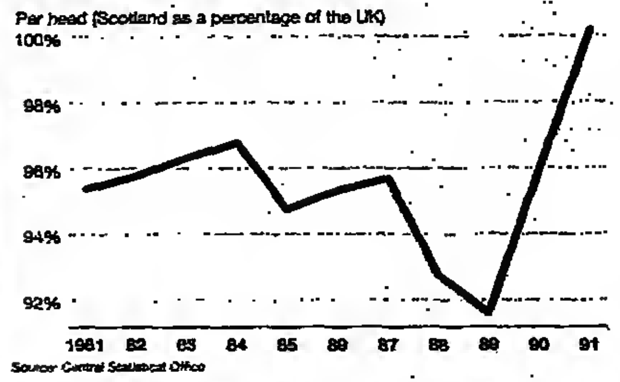
Scotland as a percentage of the UK (less Continental Shelf)




Source: Central Statistical Office, Employment Department

**Personal disposable income**

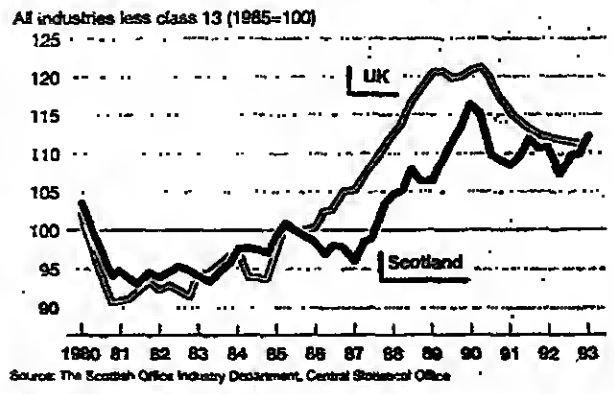
Per head (Scotland as a percentage of the UK)




Source: Central Statistical Office

**Index of production and construction**

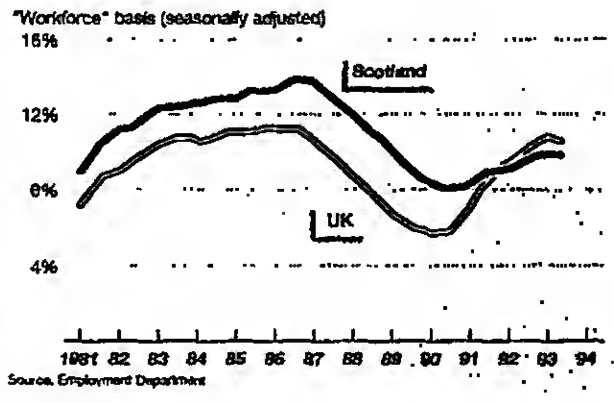
All industries less class 13 (1985=100)




Source: The Scottish Office Industry Department, Central Statistical Office

**Unemployment rate**

"Workforce" basis (seasonally adjusted)




Source: Employment Department

**Andrew Bolger** reviews the financial sector

# 'Quiet confidence' as recovery gathers pace

The financial sector, long one of the most vibrant parts of the Scottish economy, is in good heart.

Scotland's clearing banks have seen profits begin to surge as the UK's emergence from recession brings a drop in bad debts. Independent fund managers look back with satisfaction on booming world stock markets.

The main cloud on the horizon concerns the life assurance companies. They face regulatory uncertainty and difficult choices as to how best to market their products, now that competition from banks and building societies seems set to increase.

Mr Alfred Moon, a director of the Royal Bank of Scotland, the biggest clearer, feels "quiet confidence" as the country recovers from a downturn which arrived later than in England. Scotland has also avoided the problems of negative equity caused by the late-1980s property boom and subsequent crash in the south-east of England.

The Royal Bank intends to build on the success of Direct Line, its rapidly growing "direct-dial" motor insurer, by launching a new company specialising in sales of non-standard motor and home policies. The Royal also recently opened a new £2.6m dealing room in Edinburgh, geared mainly to offering capital market and foreign exchange services to its Scottish customers.

A slightly more cautious note is struck by Mr Peter Burt, treasurer and chief general manager of the Bank of Scotland, the second largest clearer. Although recession came later to Scotland, he believes it has by no means gone away: "There are still some after-shocks."

Lacking the Royal Bank's extensive network of branches south of the border, Mr Burt says the Bank of Scotland intended to concentrate further on developing niche markets such as credit cards, screen-based banking and venture capital.

An ebullient mood prevails at Baillie Gifford, the independent Edinburgh investment management firm which has increased its funds under management tenfold since 1984 to their present level of more than £10bn. The firm has achieved this commanding position by attracting an increasing amount of money from UK pension schemes, which now account for more than 50 per cent of its funds.

Baillie Gifford is one of several Scottish investment firms which have won an increasing amount of business from US pension funds. Americans have wanted to tap their long-standing expertise in emerging markets, particularly in the Far East, and also use them as a route into investing in Europe.

Over the last 10 years Baillie Gifford has seen the proportion of its business in investment and unit trusts shrink from 76 to only 22 per cent of total funds, but the firm remains interested in the retail market.

**More difficult challenges face the nine life assurance companies**

Mr Gavin Gemmell, senior partner, says: "There is huge potential in Europe – for the first time in a generation the wealth in Germany has not been wiped out by war."

An American connection has certainly proved stabilising for Murray Johnstone, the Glasgow-based fund manager which recently sold itself to United Asset Management of the US. Rivals say settlement of the ownership question has been good for morale.

Mr Giles Weaver, a director of Murray Johnstone, says the firm's 230 staff are responding well to a more performance-oriented environment. The Glasgow firm is one of only two global firms in UAM's stable of 38 fund managers and it hopes the new owners will bring further clients and more financial backing, if necessary.

More difficult challenges face Scotland's nine life assurance companies, which together command more than 20 per cent of the UK market in long-term life assurance and pensions, and employ more than 20,000 people. Last year Halifax, Britain's largest building society, announced it would sever its exclusive tie with Standard Life and set up its own insurance company.

The Edinburgh-based Standard Life, the UK's largest mutually-owned life insurance company, sold 18 per cent of all its new business through Halifax offices in 1992. Standard intends to replace the lost Halifax business by building up its direct sales force, which already stands at 380 and will be increased to 1,000.

Mr Tom King, Standard Life's general manager of marketing, says he is confident that his company would thrive, but adds that the looming overcapacity in the industry was likely to lead to a shakeout.

Scottish Life is more typical of the other mutuals in that it relies almost entirely on independent financial advisers (IFAs) – as Standard Life does for 66 per cent of its business. Mr Ray Milne, Scottish Life's assistant general manager of sales, says he is confident that IFAs would largely be exonerated when the current investigations into the mis-selling of pensions were complete, although all the transaction documents may not have been properly completed.

However, Mr Milne believes that struggling with this growing burden of paperwork has prevented the Scottish mutuals from developing new products in growing areas such as care plans for the elderly.

Concern about the future of the mutuals and the increasing pressures on banks to reduce staff contributes to the feeling that the great job-creating record of the financial sector in recent years has run out of steam – and could be reversed.

Scottish Financial Enterprise (SFE, the promotional body for the financial community) estimates that the sector accounts for about 15 per cent of Scotland's GDP and more than 10 per cent of its jobs. The number of jobs in the sector has increased by about 50 per cent since 1986.

Mr James Scott, executive director, says SFE had pinpointed the training of back-office staff as one area needing improvement. As a former senior civil servant in the Scottish Office, Mr Scott believes that government still thinks too much in terms of manufacturing when it considers encouraging inward investment and job creation. He says: "A start-up in the financial sector is at least as valuable as one in manufacturing or tourism."

■ LOCAL GOVERNMENT

# Tories redraw the map with ease

The map of Scotland is about to be changed by a bill which has so far passed with surprising ease through the standing committee considering it in the House of Commons. The bill will replace the current two tier structure of local government with a system of single tier authorities.

It will also remove management of water and sewerage out of the hands of local authorities and entrust it to three new water authorities under boards appointed by the secretary of state. There are no plans to privatise Scottish water, but the private sector will nevertheless be heavily involved in upgrading the water and sewerage systems.

The Conservative government signalled its intention of reforming Scottish local government in 1991, put out a detailed consultation paper in 1992 and last July presented its plans in a white paper.

**Chief target is Strathclyde regional council which deals with 2.2m people**

The white paper said the government intended to abolish the current system of nine regional and 53 district councils, and replace them with 25 unitary authorities. The three unitary island councils would remain unchanged, making 28 councils in all.

All Scottish political parties have said they favour moving to a single tier system, but for the Labour, Liberal Democrat and Scottish National parties the move would accompany the setting up of a Scottish parliament.

The government wants to modernise local government partly to take account of the fact that local authorities are gradually providing fewer direct services themselves. From a party political point of view the Conservatives want to weaken the dominance of Scottish local government by the Labour party.

The Conservatives' chief target is Strathclyde regional council which, because of the unbalanced drawing of the last new map in 1974, deals with 2.2m people, nearly half the Scottish population. As well as being assertive in dealing with the Scottish Office, Strathclyde is, to the Tories, irredeemably Labour.

Mr Ian Lang, the Scottish secretary, recently argued in the quarterly journal Scottish Affairs that the current structure, in which regional and district councils have powers which occasionally criss-cross, was complicated, illogical and expensive, partly because of the inadequate power of the districts. Some regions, he said, were too big to be effective, some districts too small; and they lacked independence because of councils' shared responsibility.

The consequence, he said, was lack of public interest in local government, shown by low turnout in elections and the lack of public affection for the 1974 structure, especially the regions.

Under the white paper proposals Strathclyde would be broken into 10 councils while the eight district councils in the Highlands would disappear, leaving a single authority based in Inverness. Apart from losing control of water the new councils would be expected to form joint boards with neighbouring authorities to administer such things as police and fire services. Some councils might administer certain services on behalf of their neighbours. The new councils will be elected in 1995 and begin operating in 1996.

The main public reaction to the white paper was outrage at the way the new map appeared to protect those areas where Conservatives commanded a majority (such as Stirling, Ayr and Eastwood, to the south of Glasgow) by creating councils with smaller populations than their Labour-dominated neighbours, giving rise to the claim of gerrymandering. (Yet senior Scottish Office officials are said to have been surprised that the government did not go further in drawing up boundaries to Tory advantage).

Apart from that, many people were perplexed that there is again to be change only 20 years after the 1974 reform.

Professor Arthur Midwinter of Strathclyde University, a specialist in local government, argues that the two-tier system has worked well and that the white paper proposals would not necessarily make local government more accountable, or engender greater local loyalty than the present system. Above all, he says, if the government wants both to have effective local government and to achieve substantial efficiency savings it should set up not more than 15 authorities.

The proposed structure, he says, will lead to greater centralisation because most of the councils would be too small to be viable. Small authorities would have difficulty providing all the services required, and bigger neighbouring councils might be unwilling, for political reasons, to help them out. Joint boards would lack the democratic legitimacy needed for decisive action.

Labour-controlled Strathclyde region argues with some force that it offers considerable economies of scale in administering such services as education, police, fire, and transport over a very wide area. It operates the biggest passenger transport authority in Britain with British Rail providing an efficient and expanding commuter rail service whose coherence could be in jeopardy under a large number of councils.

Lothian, a much smaller region which is nevertheless to be split between Edinburgh and two other councils, has also put forward a case for a single unitary authority.

So far the only major concessions the government has made during the passage of the bill are on the boundaries of the new councils. Ayrshire is to have three councils instead of two, Inverclyde is to be carved out of West Renfrewshire, and Berwickshire is not after all to be merged with East Lothian. These changes, which make the gerrymandering charge slightly weaker, took place partly because of pressure from local Tories. But they mean that (including the three island councils) there will now be 30 new councils instead 28 and Strathclyde will now be broken into 12 not 10 councils.

Mr Lang, asked by the Financial Times whether the reform would lead to savings and "big improvements" in the cost of local government, said it was "largely driven by the wish to create more efficient, more coherent, more accountable local authorities. I'm certain there will be savings of some substance as a worthwhile side-benefit. But it's driven by the natural allegiances, the history and traditions, Scottish geography and demography."

**Mr Lang says he finds that local government reform is a popular change**

He went on: "The strength and diversity of what we are proposing will result in having a single tier with a clear focus for the delivery of local services. The fact that we are able to contemplate savings which could amount to £1bn over a 15-year period is tremendous."

Mr Lang said he got the impression when he travelled round Scotland that the local government reform was a popular change. "Let's be honest. A lot of people don't worry too much about how their local government service is delivered as long as it's delivered efficiently. If they stop to analyse why it's delivered inefficiently and expensively in many cases it's the result of the duplication and bureaucracy and the expense and inefficiency that two-tier structures bring."

**James Buxton**

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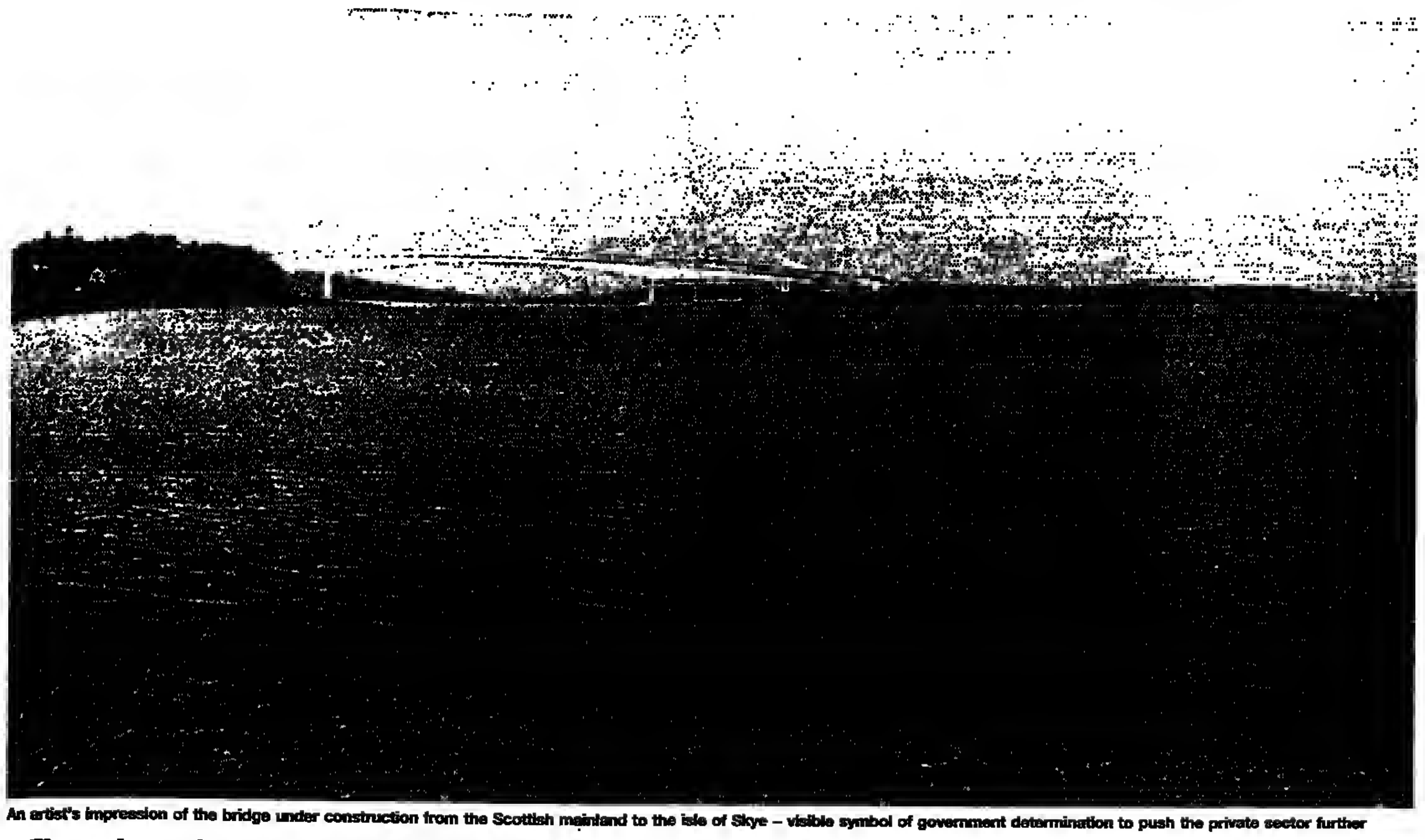


An artist's impression of the bridge under construction from the Scottish mainland to the isle of Skye – visible symbol of government determination to push the private sector further

**Tom Lynch** looks at government efforts to increase the private sector in the economy

# High tolls over the sea to Skye

The bridge reaching out from the mainland to Skye is the most visible symbol of the government's determination to push forward the frontiers of the private sector io Scotland.

Those frontiers will not be cheap: the bridge will have the highest tolls in Britain. Supporters of the project say that people pay for the less convenient ferries in any case, and that the bridge will be toll-free when the contractors pay off the cost of building it – some time in the next 20 years.

Opponents say the bridge should be part of the roads system. They point to the low tolls oo other bridges and lament the government's abandonment of its 1979 policy that the islands should not be disadvantaged by high transport costs.

The bridge is being built by a joint venture between Miller Construction, a privately owned Edinburgh company, and Dykerhoff Widman. The consortium will operate the bridge and collect tolls.

The scheme symbolises the government's determination to pursue its policies in a country where it is increasingly acclimatised to being a political minority. For example, only one tiny (80 pupils) school has voted to opt out of local authority control – and a strenuous political campaign, including intervention by the Sunday Times newspaper, failed to get the government a result at Paisley grammar school last year.

In England and Wales, contracting out of local authority services had a high profile through the 1980s. Right-wing councils such as Wandsworth in London enthusiastically privatised service provision. In Scotland, there were no Wandsworths to blaze trails in the Labour-dominated local government scene, but compulsory tendering has brought a steady rise in contracting out.

As in England and Wales, the electricity industry was sold. ScottishPower and Scottish Hydro Electric are regarded as the flagships of Scottish privatisation, realising £3.5bn, but water and sewerage were not. They were too firmly locked into the local authority structure (and the ultimate commercial sanction, disconnecting a household, is unlawful in Scotland).

Almost all the factory portfolio of the Scottish Development Agency, now re-formed as Scottish Enterprise, was sold in 1990, and £50m-£60m a year in assets in the five new towns are being sold in preparation for their winding-up by 1996.

The next move in privatisation is likely to be Scotrail, one of the first seven British Rail franchises to be offered. The government hopes that this will be run by the private sector by early 1995.

The Scottish rail network is nearly self-contained: 95 per cent of services run entirely within Scotland. It is this which has impelled potential bidders to lobby for the franchise holder to have control of the track, as well as for the services. This vertical integration is strongly opposed by Railtrack, which is to take over ownership of BR's track and signalling, but there have been indications that the government may be sympathetic.

In the Scottish Office – subjected to market testing, like the rest of the civil service – a steady £10m-£15m a year of work is being contracted out. The department has few large blocks of work to hive off: most management units employ fewer than 50.

Scottish Enterprise and its equivalent, Highlands and Islands Enterprise (HIE), and other quangoes such as the Scottish Tourist Board are required to contract out services where possible. HIE has even contracted out its investment appraisal.

Steps are being taken to change the law to allow prison privatisation, legalised in England and Wales in 1990.

State-owned bus operations have been sold and privatisation of council-owned fleets is well under way, but privatisation of Caledonian MacBrayne, the islands ferry operator, was rejected. KPMG is reviewing Scottish Office subsidies for all shipping services and is expected to report, within the next two months, on the scope for private sector involvement.

The forestry industry (important in Scotland, overseen by the Scottish Office) is also under review. Outright privatisation is thought to have been rejected by the ministerial working group. It is expected to report later this year in favour of increased private sector participation.

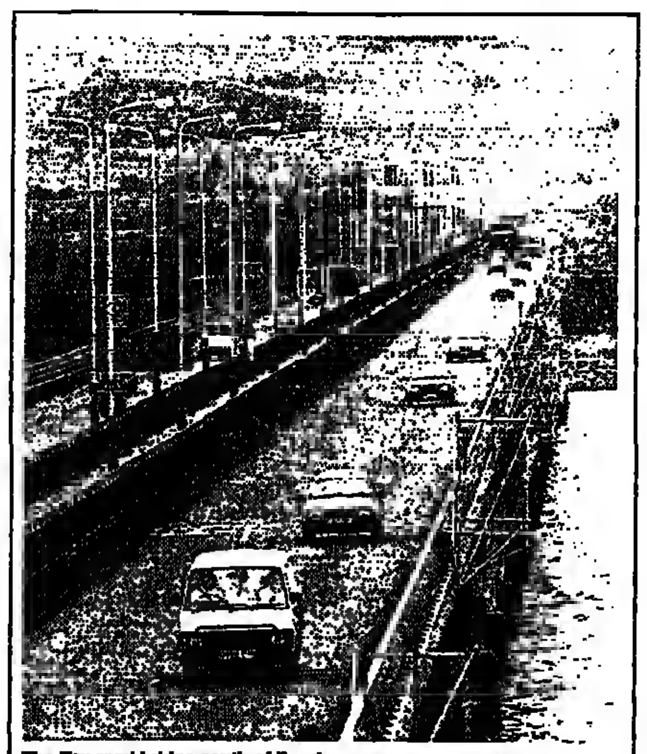
The local government reform bill, currently before parliament, provides for three new state corporations to run all water and sewerage from 1996. Lack of private sector expertise in the area means that English and French companies are prominent in offering the sought-for private investment; councils are discussing, with private sector consortia, about a dozen "build, own and operate" schemes for sewerage provision valued at £1bn. However, there are hopes that Scottish utilities may take an interest.

This new stress on private participation in the public sector, spearheaded by the government's private finance initiative, is allowing the pace of privatisation in its broadest sense to accelerate in Scotland. The increase in tempo poses a challenge for Scotland's private sector. Because contracting out has been slow to get off the mark, Scottish companies are less likely than their southern colleagues to have the bidding expertise.

Current uncertainty over transfer of undertaking rules – the EU directive which protects the rights of workers whose jobs are contracted out – is having a particular effect on smaller companies thinking of bidding for some of the packages of work on offer.

Mr Peter Fleming-Wilson, former chairman of the Cleaning and Support Services Association, says it is difficult for contractors to decide whether it is sensible to bid, when even taking counsel's opinion on whether the rules apply is expensive. He believes a pattern is beginning to emerge, although contractors still have to do their homework.

Neither does he feel that all councils are as helpful to contractors as they might be. True, the Scottish Office has seldom found grounds for intervening in tendering exercises, and no direct labour organisations have been closed down, as has happened in England. Tendering will be slowed during local government reorganisation.



The Tay road bridge south of Dundee Picture: Tony Andrews

## High road, low road

The reform of local government may spark more opportunities for the private sector: the new smaller unitary authorities will not have the capacity to take over from the large regional councils in maintaining principal roads.

Some of these roads are likely to become government-managed trunk roads. It is not yet clear how maintenance of this bigger trunk network will be organised, but the government may want to expand routine maintenance contracts into more ambitious maintenance and management contracts.

It is possible to envisage a contracting consortium building a road and delivering it ready to operate (a national road charging system would allow payment according to how quickly tha road was ready for traffic), followed by a management contract with another consortium. Current government thinking means that, probably, tha element of risk-sharing would be increased.

New road schemes are being explored – a potentially large amount of road building, given the size of Scotland's trunk network.

● Four consortia are interested in building a second Forth Bridge – the need for which is a matter of some controversy. Any new bridge would be associated with improved road and other transport links from the bridges and the airport to Edinburgh.

● A new road link between the M8 Glasgow-Edinburgh motorway and the main M74/M6 cross-border road is also under consideration, together with improvements to the Kincardine Bridge across the Forth between Edinburgh and Stirling.

● Another potential opportunity is the proposed national driver information system for Scotland (the government is currently engaged in a consultation exercise about this). Upgrading of the electronic information system around Glasgow is proposed, and tha creation of a new system in the Edinburgh area.

Officials claim that the Scottish Office's integrated structure allows it to plan important road developments without the tensions surrounding similar schemes under discussion in Whitehall.

Tom Lynch

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□ Aberdeen

# North Sea learns to live with low tide

North-east Scotland has learned to live with the oil industry, which has set it apart from the rest of the UK economy, producing local booms in times of national recession and local recession when the good times are rolling elsewhere.

Now the UK economy is struggling out of recession as the North Sea suffers another employment downturn, but there is cautious optimism in the area (Aberdonians are unfamiliar with reckless optimism) that the north-east is not about to head off in the other direction again.

Professor Alec Kemp, of Aberdeen University's economics department, says North Sea employment probably peaked *in 1991 and is falling slowly*. The combination of the current very low oil price and a high production cost per barrel because of lower production levels from oilfields developed in the 1970s has, he said, pushed companies to look for ways to economise.

Many new fields are smaller and require fewer people. Exploration drilling has slowed since last year's petroleum revenue tax changes.

Mr Tom Snowling, economic research officer with Grampian regional council, agrees that the oil companies, learning from the mistakes of the 1970s and 1980s, are much more cost conscious – a far cry from the industry's free-spending days, when oil companies paid top rates for the skilled people on whom traditional fishing and farming, paper and textiles industries had relied.

Technology has helped. New *drilling techniques mean* fewer platforms are needed to get the oil out, and smaller crews are needed for the platforms. For example, Total's Dunbar jacket and topside is designed for a crew of 16, a fraction of what would have been needed 10 years ago. Hook-ups of platforms are now done with a few hundred people (a legend of the 1980s is of 3,000 people on one platform, where there was standing room only).

But it is thought that only about a third of the 27,500 offshore workforce live in the area: most live in central Scotland, north-east England and further afield. Prof Kemp says the effect on the local economy of the offshore slowdown will be *offset* by continuing relocation of high-skill, high-wage personnel.

Intense local lobbying helped push the Department of Trade and Industry last year to relocate to Aberdeen part of its petroleum exploration directorate. That, says Professor Kemp, will have a knock-on effect in relocation of oil company personnel who have to deal with the DTI on new field development and field abandonment.

There is also, he says, a continuing movement of oil-related companies to the north-east simply because it is still cheaper than south-east England and more cost-effective to be nearer the activity.

One change in the industry *which could* have long-term implications is the trend, among oil producers, away from engaging a large number of specialist contractors, towards partnership agreements with a small number of prime contractors.

The bigger service companies are now signing long-term arrangements with operators where, says Sir Ian Wood, chairman of John Wood Group, Scotland's largest private company, "they are helping an operator drive his business. We sit down with the operator and try to understand what he wants to achieve and work with him in ways in which we share in his risk."

Five years ago his company would have sought a straightforward maintenance contract on one platform. Now it will negotiate, with *an operator* and five or six specialist subcontractors, a design, construction and maintenance programme on a number of platforms.

This, he says, has cut costs. In the longer term, such companies could diversify into other areas, such as power generation, and should have the size and expertise needed to operate in the international oil marketplace. Sir Ian talks of consolidating a "mini-Houston" in north-east Scotland.

Sir Ian, who is also chairman of the government-backed economic development body Grampian Enterprise, acknowledges that an economy based on a wasting *resource* has to look to its other industries.

The Aberdeen area, he says, "has become an uncomfortably unbalanced environment". A generation has grown up in Aberdeen that has not known a time without oil. Traditional industries have had to cope with a higher cost base than anywhere else in Scotland.

Both he and Mr Derek Marnoch, chief executive of Aberdeen Chamber of Commerce, believe oil has helped the area's other industries by making the business climate more competitive, risk-aware and generally sharper.

Mr Marnoch talks of an economy working on two levels, with those outside the oil industry struggling in an area where oil drives housing and other costs – but he believes there are probably more second earners than there are elsewhere in Scotland.

As a high-wage area, the way to survive has been to work at the quality end of the market – always the case for an area whose distance from the main marketplaces means high transport costs. For example, the area's four paper mills produce about 600,000 tonnes of paper and board a year, about *10 per cent of UK* output. But 400,000 tonnes is high-value printing and writing stationery, about 20 per cent of the UK total.

Although they are in the same industry, the four mills are not direct competitors, which allows them to co-operate in areas such as training.

Mr Ed Gillespie, general *manager* at Arjo Wiggins's paper mill on the outskirts of Aberdeen, acknowledges conflict with oil in the labour market, especially in the early 1980s. But now the oil industry is training more of its own people, while both industries have cut labour demand through technological change.

He has noticed that men in their 30s and 40s, tired of the rigours of the North Sea and anxious to spend more time with friends and family, are coming back to onshore industry. His recent move from five-and-a-half to seven-day working created 70 jobs, for which 1,500 applied – although he did not advertise the vacancies.

Mike Stephen, group managing director of Grampian Country Food Group, a large-scale pork and chicken producer, says oil took away "a lot of young lads who would have worked on the farm or driven trucks," but agrees that "it's not every married man with a family who wants two weeks on and two weeks off".

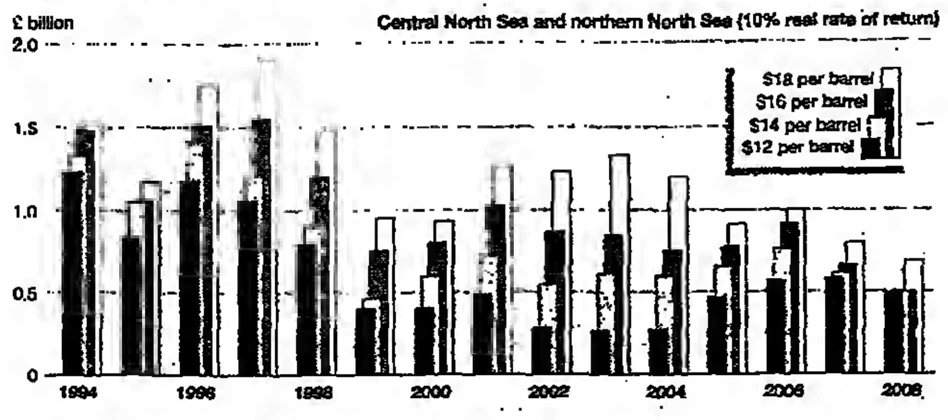
But difficulties in getting process labour are pushing his company harder to find technological improvements, although much of his process labour is female, for which there is less competition.

His company is an example of how food production, that most traditional of all industries, is becoming concentrated in a small number of large companies – driven, he says, by hygiene regulations. Turnover is up from £1m in 1980 to about £180m last year and, like other dominant food processing companies in the area, it is under local ownership. The area is strong in locally-owned premium food brands, such as Baxters of Speyside and Walkers of Aberlour.

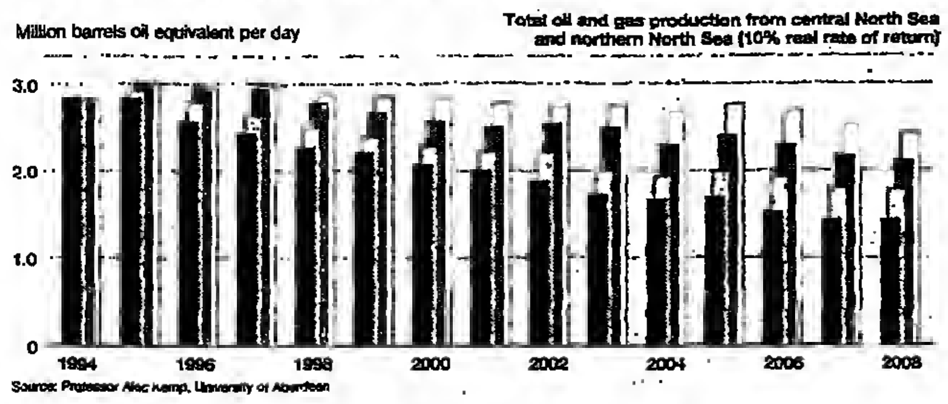
But behind the big, successful food companies there are also small traditional farms whose finances have recently been fragile. And it is those *family farms which underpin* the economies of small towns and villages throughout the area, where the *eventual* loss of oil industry commuters can be expected to hit very hard.

**Tom Lynch**

**Total capital expenditure**




**How the oil price drives production**




Source: Professor Alec Kemp, University of Aberdeen

**Unemployment by travel-to-work area (December 1993)**

| | Males | Females | Total | % rate 4.6 | Change since November |
|---|---|---|---|---|---|
| Grampian | 10,438 | 3,466 | 13,904 | 4.8 | +478 |
| Scotland | 184,070 | 52,444 | 236,514 | 9.3 | +2,364 |
| UK | 2,146,045 | 636,651 | 2,782,696 | 9.9 | +13,258 |

Source: Economic Development & Planning Department, Grampian Regional Council

□ The Highlands

# EU funding may be a ray of hope in the gloom

The far north of Scotland has always had too many of its eggs in too few baskets, according to Mr Sandy Brady, director of strategic planning for Highlands and Islands Enterprise (HIE).

This harsh truth has been cruelly underlined by the rapid rundown of the two large oil rig construction yards which brought considerable prosperity for most of the last 20 years to communities around the Moray and Cromarty Firths.

The speed of the downturn is alarming. The McDermott yard at Ardersier, near Inverness, now employs just 50 people on a care and maintenance basis – down from a peak of 3,500 at tha beginning of 1992. Tha Highland Fabricators yard at Nigg in Easter Ross still has enough work for 700 people – but that is down from a level of 2,000 in 1992.

Mr Brady is optimistic that orders will return to the yards, although changes in technology mean employment levels are likely be *more modest*. But policy makers must also face the possibility that – like the closed aluminium smelter at Invergordon – the era of the big oil rig yards is coming to an end in the Highlands.

The more diversified Inverness economy has coped relatively well with the downturn, although unemployment has crept up to 12 per cent (high, but still below the Highland average). The impact has been *much worse in the Nairn and* Forres area, where unemployment is 15 per cent, and Easter Ross, where it is 16 per cent.

Job shops and retraining have helped an estimated 500 workers find short-term contracts offshore or overseas, which has helped keep money coming into the local economy and prevented a crash in property prices. Many others are thought to have left the area.

However, the loss of lucrative blue-collar work will continue to be keenly felt – particularly in Easter Ross communities such as Alness, which attracted immigrants from the central belt of Scotland and beyond to work in the now-defunct smelter.

Looking back on the coming of the rig yards, Mr Brady says: "We would have preferred to have had 40 small-scale enterprises, but that was not an option we were offered. The ideal pattern for the Highlands is much more diverse than we have had."

A ray of hope in this gloom is the recent designation of the Highlands and Islands as one of the European Union's poorest regions for the purpose of *economic assistance*. It means the area could attract £260m over the next six years.

*Mr* Brady says this decision, long lobbied for by the HIE, offered the chance for a one-off improvement in the infrastructure.

Glass making in Caithness

Picture: Highlands and Islands Enterprise

Putting themselves in the same category as the – mainly southern – EU countries qualifying for maximum EU funds was uncomfortable for officials at HIE, who have long stressed the area's high-technology potential.

However, they could stress the region's remoteness. One key indicator was sparsity of population, which is the lowest density in the EU. Only 2 per cent of the land is arable.

Since remoteness was such an important reason for winning the EU cash, there is understandable concern in the more outlying areas that the cash should get to them – and not just be funnelled into Inverness and its catchment area.

**'Not an issue to cause a stand-up fight with the Norwegians'**

To avoid unseemly squabbling, it seems likely that the funds will be allocated on an area basis, with local committees choosing which of the range of possible projects should attract support.

Increased attention will certainly be paid to tourism, which already accounts for 20 per cent of the region's gross domestic product and employs about 20 per cent of its total workforce. Tourism, Mr Brady says, has enjoyed a slow but steady long-term growth, although this had been masked in recent years by global recession and a run of poor summers. Winter sports had also suffered two bad seasons; this season seemed to be much better.

HIE aims to extend the season, lengthen accommodation occupation levels and encourage visitors to travel more widely. Mr Brady says: "Autumn tourism is good, with significant activity in October. We must concentrate on the spring, which is only busy around Easter."

By giving employment for about eight months a year, HIE hopes the local population will see local tourism offering practically full-time jobs.

The salmon farming industry, which employs more than 6,000 people and has brought much-needed work to even the remotest areas, is a particular area of concern.

A recent study of Norwegian salmon farming by Ernst & Young, the accountancy firm, concluded that over the past five years the industry has enjoyed a 20 per cent subsidy on its cost of production from the Norwegian government.

Because of a surge in Norway's production, salmon prices in the EU have collapsed well below the break-even point of many Scottish producers. Some 85 per cent of Norwegian salmon is exported to the EU. Brussels recently lifted the minimum import price to £2.74 a kilo, but Scottish farmers say this is still insufficient to restore their profitability.

Mr Brady says: "We have tried very hard to put pressure on in Edinburgh, London and Brussels – but it is not an issue over which the UK government wants to have a stand-up fight with the Norwegians."

**Andrew Bolger**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Food exporters demand a national trade mark, writes **Alison Maitland**

# More than whisky galore

Wild heather moors. Clear mountain streams. Deer and *cattle roaming freely in hills* and glens.

Such are the images mentioned when foreigners are asked what Scotland means to them. Harnessing these visions of unbridled nature into something commercial might seem like trying to sell Scotch mist in a bottle, but the leaders of Scotland's food and farming industry are intent on doing just that. They want to create a trade mark to promote food and drink products for their purity and quality.

The National Farmers' Union of Scotland, which has initiated quality marketing schemes for several agricultural sectors, says the Scottish Quality Mark would emulate the Appellation Contrôlée system for French wine or the Woolmark for knitwear.

In January the government gave the go-ahead for a business plan showing how the quality mark would operate. The plan, which should be ready by the summer, follows a report by the government-appointed Scottish Food Strategy Group.

Mr James Millar, chairman of the group and of the Dundee-based supermarket chain, Wm Low, says the mark would probably first be used for sales in the UK and selective continental markets where Scottish produce has a particularly good image. These include Paris and other big French cities, southern Germany and northern Italy. The report says that, while Scottish salmon and whisky are well-known, "the level of perception of the general range of Scottish food products remains low throughout Europe".

Farming experts say the country needs aggressive marketing because of the drawbacks associated with its natural advantages. If it is remote from pollution, it is also remote from the cities where most of its potential customers live. Targeting markets will be all the more important as the Gatt deal and Common Agricultural Policy reforms prepare hitherto protected European farmers for exposure to world market forces.

Livestock products account for 45 per cent of Scotland's agricultural output. But competition for outlets will probably increase as CAP reform reduces the amount of beef being accepted into intervention stores and forces more on to the open market.

*Fortunately for Scottish* producers, animals reared using non-intensive farming methods – the only way to farm much of the country's hilly terrain – not only receive extra subsidies from Brussels but appear to be what consumers want.

Exporters such as ANM Group, Scotland's biggest farmer co-operative, are finding a ready market on the continent.

Like overall food output, beef production is 1 per cent or less of the EU total. Scottish producers need to do more to help themselves, for example by ceasing to export live animals and whole carcasses to France, says Mr Donald MacRae, TSB Bank's agricultural specialist. "It seems quite *wrong* to give all the 'value added' to the French," he said. "It would make a lot more sense for us to do the processing here."

About 15 per cent of Scottish beef is already being sold through a scheme guaranteeing its quality. The Farm Assured Scotch Livestock scheme, promoted by the NFU, puts 500,000 lambs and 76,000 cattle to market each year.

Quality assurance schemes provide codes of practice for farmers and standards for processors on, for example, animal welfare, feeding, chemical inputs, hygiene and slaughter.

**'It needs decent money so that it becomes established in people's minds and the big retailers can't ignore it'**

The product's history is traceable back from the supermarket shelf through processing to the production stage. "Consumers want to be assured that farming is environmentally-friendly," *says Alastair* Alexander, NFU marketing director.

Scotland already has schemes for pork, salmon, trout, cheese and venison and others are planned for cereals and soft fruit. The financial advantages can be considerable. Consumer research showed that 76 per cent of consumers were prepared to pay more for Scottish salmon with the "Tartan Mark" guarantee of quality. This salmon was the first foreign product to be awarded the "Label Rouge" – a French mark of superior quality – in 1991 and commands a premium of 10 to 12 per cent above other Scottish salmon sold there.

But introduction of a single Scottish quality mark faces potential obstacles. It must be accepted by leading retailers, who may be sceptical about its usefulness, said Mr MacRae.

"I can see some retailers saying: what is the quality mark doing for us? It needs to have a decent amount of money so it becomes established in people's minds and the big retailers can't ignore it."

The food strategy group called for £450,000 a year for the body operating the mark, £2m for a launch campaign in the UK, and an annual promotion budget for all its markets of at least £5m. The government and private sector will need to be persuaded of its worth.

Scottish food manufacturers already well-established in foreign markets may be reluctant to share a common quality mark that could be more useful to smaller competitors than to them.

*Winning* over farmers *may* prove difficult, too. Some farmers – such as hill farmers who sell their sheep to be fattened on richer lowland pastures – are a long way from the final consumer, and marketing may seem irrelevant.

The food strategy group admits there is some reluctance to join quality assurance schemes. Mr MacRae goes further, accusing some farmers of a lack of vision. A survey of farmers by the TSB and the NFU found concern that membership of a scheme would involve hefty costs and much record-keeping – both misconceptions, according to proponents of the schemes.

"It's not the cheapest that wins," says Mr MacRae. "Farmers have to buy the quality argument, and in many cases they don't."

FINANCIAL TIMES SURVEY

# POLAND

Friday March 18 1994

The agreement with its London Club creditors signed last week, re-opens access to international capital markets for central Europe's biggest economy and most strategically-placed country. **Anthony Robinson** and **Christopher Bobinski** look at future prospects

## Cleared for take-off

The biggest potential obstacle to Poland's future prosparity was removed last week when Warsaw and its London Club bank creditors signed a debt reduction and rescheduling agreement. The deal gives Poland an overall 42.5 per cent reduction on its $13.2bn commercial bank debt, stretches repayment over 30 years, and, most important of all, re-opens access to international capital markets for central Europe's biggest economy and most strategically-placed country.

The London Club deal closely followed approval by the Polish parliament of another tight budget for 1994. This won approval from the International Monetary Fund, thus paving the way for implementation of the second and final stage of a 50 per cent cut in Poland's $33bn debt to the Paris Club of official government creditors agreed in April 1991.

While Poland was in default many potential investors, including foreign banks, preferred to wait on the sidelines. It had to pay a premium for its foreign borrowing while equity investment favoured Hungary or the Czech Republic, even though Poland's strong economic growth and 39m-strong domestic market were seen as increasingly powerful attractions. Now the decks have bean cleared for the least bureaucratic and most productive kind of investment - equity investment by foreign companies bringing with them managerial and technological know-how, new products and access to global markets.

This is the kind of capital needed to underpin future export-led growth, as has already been demonstrated by those companies such as Fiat and ABB who looked beyond Poland's short-term problems and took a strategic view of Poland's long-term future five years ago.

Fiat is in the midst of a $2bn investment programma and already exports the bulk of its Polish-produced Cinquecento model to Europe-wide markets. With a much more modest investment ABB has bought or set up a dozen companies employing more than 8,000 people. It is exporting heavily and using its re-trained Polish personnel to spearhead ambitious expansion plans in Russia and Ukraine.

The list of international companies investing in Poland was growing fast even before the London Club agreement. But the bulk of them were consumer-orientated, ranging from Cadbury-Schweppes and McDonald's to Unilever and Procter and Gamble.

The beauty of the Paris and London Club agreements taken together is the prospect they provide of Poland being able to attract the medium- to long-term capital needed to help finance the infrastructure development required to underpin sustainable economic growth.

Poland, is preparing to build a network of east-west and north-south toll motorways, to modernise the main east-west rail links through Poland between Berlin and Moscow and transform its outdated telecommunications.

Lot, the Polish airline which has just survived a bruising encounter with traffic-hungry British Airways, has already re-equipped itelf with western aircraft.

Even taken singly these projects are beyond the financing capacity of both the Polish banks, themselves in the process of re-capitalisation and consolidation, and the cash-strapped Polish state. And the list is not exhaustive. Heavy investment is required to modernise the coal, steel and other heavy industries, both to reduce pollution and to complete the adjustment to a rational market economy from tha distorted, command economy inherited from the communist past.

An estimated $3.5bn alone will be needed to finance the construction of the 700km-long Polish section of the projected new high- capacity gas pipeline from northern Russia's Yamal peninsula to Germany and other EU markets.

Orders for all these projects are likely to favour those companies which have invested in the appropriate production facilities in Poland.

The government has already specifically tied foreign participation in telecommunications modernisation to investment in Polish production facilities.

Even before the expected investment boom begins, the Polish economy has been showing signs of remarkable dynamism. The economy grew by 4 per cent last year and GDP is expected to rise by a further 5 per cent in 1994. Poland was the first to introduce traumatic market-orientated reforms in January 1990 and has become the first post-communist economy to emerge from the initial collapse of unwanted and uneconomic output.

The economy has already been transformed by the phasing out of subsidies, the transformation of the zloty into an internally convertible currency, and the unforeseen decline in trade with the east which followed the death of Comecon, the old communist trading organisation.

Such a transformation in such a short time was bound to be traumatic. The winners are easy to see. For bright, energetic youngsters, and entrepreneurs of all stripes, including many from the former communist nomenklatura, who were frustrated under the old system, this is a great time to be alive.

City streets are full of new cars, banks, shops, hoteis, restaurants. Millions of Poles are sitting on paper profits from one of the most spectacular stock market surges. Up to 9m Poles are expected to pay a nominal sum for shares in the partly foreign-managed National Investment Funds which will be set up this year to manage up to 600 state companies to be privatised under the mass privatisation programme.

But nearly 3m are officially unemployed, the streets are almost as full of beggars as those in London or New York. Drug addiction, prostitution, theft and violent crime are all sharply higher, and more visible. The strain shows in a rising death rate, lower life expectancy and a steep fall in the birth rate.

The housing shortage remains acute, the health service is starved of funds, the education system likewise. The former heroes of socialist labour, the steel workers, miners and railwaymen, and much of the intelligentsia, have seen their industries, professions and status downgraded. Income differentials have widened dramatically. Farm incomes alone have halved over the past five years as domestic subsidies were cut and EU-subsidized food imports flooded in.

All these people have votes. Last September the peasant farmers and workers who once supported Solidarity rejected the amateur politicians who replaced the communists in 1989. They voted back into power two parties with roots in the communist past, the Peasants party (PSL) whose leader, 34-year-old Waldemar Pawlak, is the prime minister, and the Democratic Left Alliance (SLD) led by Mr Alexander Kwasniewski.

The coalition controls more than 60 per cent of the seats in parliament. It has the power to rewrite the constitution and can re-define and reduce the role of President Lech Walesa who comes up for re-election next year.

The government has a strong majority and faces a weak and divided opposition. In theory it could last the full four-year life of parliament.

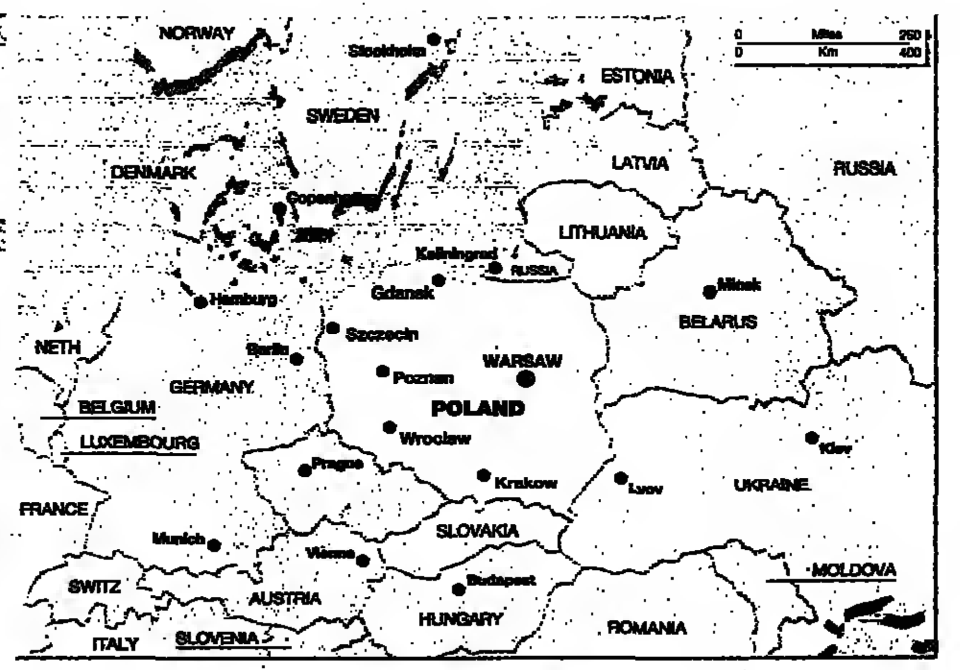
This is unlikely. The coalition partners do not like or trust each other and the unpredictable Mr Walesa is busy manoeuvering for position behind the scenes. There could well be a government crisis at any time followed by early elections, possibly to coincide with the presidential vote.

The important thing is that economic and other reforms are now irreversible while the governing parties, and particularly the SLD leadership, share the consensus view that market reforms must continue. Poles only have to look east to Russia, and even more so to Ukraine, to compare the benefits of sticking with painful reform with the misery of prolonging the process indefinitely by half measures and backward steps.

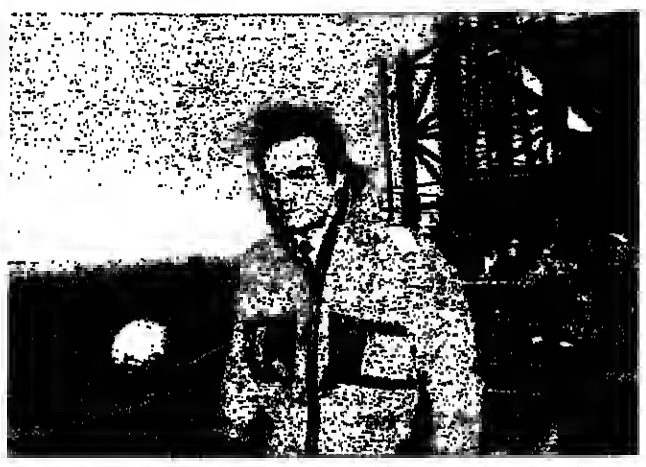
| | |
|---|---|
| Area | 312,680 sq km |
| Population | 38.6 million (Mid 1993 estimate) |
| President | Lech Walesa |
| Currency | Zloty |
| Exchange rate (average) | 1992: \$1=ZL 12,802.61<br>1993: \$1=ZL 17,360.71 |

| | 1992 | 1993 |
|---|---|---|
| Real GDP growth (%)[1] | 1.0 | 4.0 |
| Industrial production (%)[1] | 3.9 | 8.1[2] |
| CPI (%)[1] | 44.0 | 36.0 |
| PPI (%)[1] | 28.5 | 35.4[2] |
| Real wages (%)[1] | -3.75 | -2.9[2] |
| Trade (US$ billion) | | |
| Exports | 13.997 | 13.5 |
| Imports | 13.485 | 15.8 |
| Balance | 0.512 | -2.3 |
| Current account balance (US$ billion) | -0.269 | -2.267[3] |

1 = Year-on-year percentage change
2 = December over previous December
3 = January - November
Sources: Economist Intelligence Unit, Datastream & official statistics




Lech Walesa: manoeuvering for position behind the scenes



Waldemar Pawlak: Peasant Party premier all at sea on a Baltic gas rig

**IN THIS SURVEY**



Editorial production: Roy Terry


Can you rebuild a nation's industry without starting all over from scratch?

The collapse of the Comecon revealed a desolate industrial and economic Eastern European landscape - unwieldy structures operating inefficiently and creating large-scale abuse of the environment.

So it's your problem, too.

Bankrupt economies can't rebuild themselves from scratch, but Western expertise and investment can be attracted to help. In May 1990, ABB formed a joint venture with two Polish companies lacking the key skills necessary to survive in a competitive world economy. Technology transfer agreements were signed, and the new ABB Zamech restructured every operating function, installing clear lines of responsibility. Within 18 months the Polish company had been transformed into a center of excellence for the manufacture of gas and steam turbines. Production times had been halved. And by 1991 ABB Zamech was using about one third less electricity, gas and water per unit of production.

With total commitment on all sides, the effective transfer of technology, skills and responsibility to local management can work wonders - both for the economy of Eastern Europe and the world we all share.

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ECONOMY

Sustainable economic growth appears to be within grasp, says **Anthony Robinson**

# Expectations continue to soar

The Polish economy is expected to show the fastest economic growth in Europe again this year, thanks to higher productivity, rising domestic and foreign investment and growing exports. The gross domestic product (GDP) is projected to rise by 5 per cent after a 4 per cent officially reported increase in 1993 which bankers believe probably understated the real growth in the private sector.

Total output is now close to levels attained before the "shock therapy" reforms of 1990, followed by the collapse of the Soviet market in 1991, which sent output from the old state industries into a tailspin. Sustainable economic growth appears to be within grasp, given reasonable political stability domestically and no destabilising shocks from Poland's eastern neighbours.

Industrial output at the end of 1993 was 8.1 per cent higher than a year ago while growth in the under-recorded and previously underdeveloped service sector has risen even faster. But the volume indicators fail to tell the full story of an economy which now produces goods and services of a much higher quality than four years ago – but employs 3m fewer workers to do the job.

Socially and politically, high unemployment is a big worry. But economically it means that strong productivity gains are underpinning the transformation of the economy and creating the basis for rising profits, a growing rate of capital accumulation, and job creation.

The underlying improvements have been overstated by last year's 900 per cent rise in share prices on the Warsaw stock exchange which pushed price-equity ratios to dizzy heights. But the emergence of a toughly regulated, reasonably efficient stock market is undoubtedly one of the main economic developments of the past 12 months.

This year should see rapid expansion in the number of listed companies, from the present 22, and a flood of new issues and capital increases as private companies take advantage of high share prices to raise cheap equity capital. The government is also expected to exploit this new channel by selling off parts of state enterprises through share issues. Strengthening of the financial infrastructure generally is also a high priority with 22,000bn zlotys ($1bn) earmarked in the budget for re-capitalisation of the state-owned banks while smaller undercapitalised private banks will be taken over by bigger groups under central bank supervision. After lengthy delays, the mass privatisation of more than 400 state enterprises and the transfer of managerial control to 20 new national Investment Funds (NIFs) is expected to be finalised by the autumn, along with the creation of new pension funds, investment trusts and insurance companies.

Inflation, measured by the consumer price index, rose sharply at the end of 1993, due to a hiccough over meat prices, although the average dropped to 36 per cent last year from 44 per cent in 1992. Price increases dropped back to 1.6 per cent in January, in line with projections of a decline in inflation to 27 per cent on an annualised basis this year.

Prospects for future growth, meanwhile, have been enhanced by last week's London Club agreement for a 42.5 per cent reduction of Poland's $13.2bn foreign commercial bank debt. This should greatly facilitate the inflow of foreign investment required to modernise the economy and fund ambitious infrastructure schemes.

Sustained growth and reducing inflation to single digits by 1998 as planned by the National Bank of Poland, the independent central bank headed by Ms Hanna Gronkiewicz Waltz, also requires continuing political will to meet IMF-approved monetary and fiscal targets in the face of growing political pressure for higher social spanding and trade union demands for higher wages.

The centre-left coalition government formed after last September's elections inherited the outlines of a stringent budget. The revised budget with its deficit ceiling of 83,000bn zlotys, around 4.1 per cent of GDP, even survived the resignation of Mr Marek Borowski, the finance minister, and a power struggle between the coalition partners over control of economic policy.

The successful introduction of value added tax (VAT) last July and the higher overall tax receipts deriving from a rising GDP allowed the new government to raise social spending marginally. Higher revenue and lower than forecast spending kept the 1993 deficit to 3.6 per cent of GDP, well below the 5 per cent target.

Parliament approved the 1994 budget on March 5. This paved the way for a new IMF standby agreement, which in turn will ensure implementation of the 20 per cent, second-stage write-down of Poland's official debt at the end of March. This completes the 50 per cent overall write-down in Poland's former $33bn official debt agreed by the Paris Club in April, 1991.

Servicing the foreign debt will be expensive, costing around $6bn annually by the middle of the next decade. But, short term, Poland's reserves rose last year to $7.6bn in spite of a $2.3bn trade deficit last year and the London Club agreement should make future borrowing easier.

The stronger reserve position is accounted for partly by the spending of foreigners, including planeloads of shoppers from oil-rich Russian towns and more than 45m German day-trippers attractad by cheaper shopping.

But reserves have also benefited from rising foreign investment in the Warsaw stock exchange and in Polish companies and from the capital flight out of Russia last year.

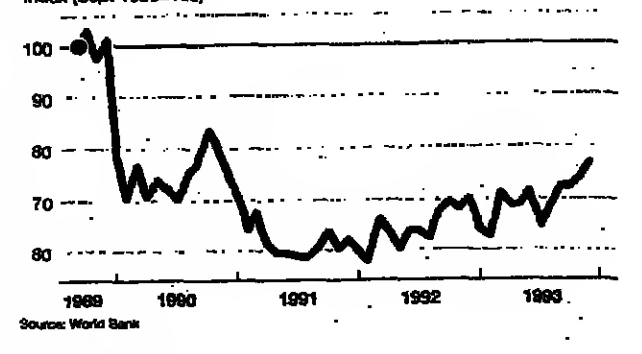
Several other indicators also suggest that real incomes and the level of overall economic activity are probably higher than officially stated. An 11 per cent rise in retail sales in real terms last year, indicates that disposable incomes have been rising although official statistics point to a further 2.9 per cent decline in average real wages last year.

The progress already made is impressive. Most subsidies and distortions have been removed, many of the most energy intensive and polluting factories, mines and plants have been closed, restructured or downsized. More than 60 per cent of the economy is now privatised and several former loss-making state sector companies, even in traditional sectors such as shipbuilding have been turned around. Once staid foreign trade organisations, like Budimex and Elektrim, have been privatised and transformed into internationally competitive companies which could form the core of future "national champions".

The Polish economy still has a long way to go before it can deliver western living standards. But unemployment should peak and start to fall in 1994 as higher investment gets under way. This will ensure that sustainability of an upswing which is already well into its second year and could last for years, provided it is not choked by inflationary increases in public spending and incomes.

**Industrial output**

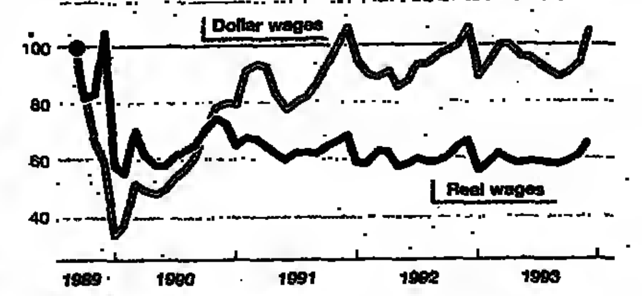
Index (Sept 1989=100)




Source: World Bank

**Wages**

Index (Sept 1989=100)




Source: World Bank

# Poverty stalks the losers

Despite the irrefutable evidence of greater prosperity generated by a substantially transformed economy many Poles feel excluded from the benefits. Out of a population of 39m, nearly 9m are pensioners and almost 3m are registered as unemployed. More than 700,000 of the unemployed, those without jobs for over a year, are no longer eligible for unemployment pay and have to rely on other forms of social security, although many are able to supplement their small official incomes by part-time work and moonlighting.

Sociologists believe children are the main sufferers from the poverty to which the abolition of food, housing and heating subsidies has exposed families of the unemployed or those on low incomes. They are most exposed to the high prices which have replaced the subsidised basics of the socialist past.

By the end of 1993, the real incomes of Poland's 15m wage earners were still 2.9 per cent below the levels of December 1992, in spite of a 9 per cent rise in real average wages in December. For millions of workers and the unemployed real incomes remain well below 1989 levels, although the quality and variety of goods available is much higher than five years ago when imported or domestically-produced consumer goods were in short supply.

In March the hated *popiwek*, or tax on public sector wage increases, is being abolished, as promised by the SLD during its election campaign, although it is being replaced by a similar wage restraining mechanism.

The coalition government of former communists and peasant farmers is sensitive to the demands of its worker and peasant electorates for greater social security, more social spending and higher wages. But it is still probably true that the rapid growth of the private sector, which now accounts for around 60 per cent of total employment, holds out the main prospect for future job creation and wage gains. Rising labour productivity rather than labour militancy, holds out the best prospect for wage earners in 1994, especially when employment starts to rise again after four years of steep declines.

Unemployment rose again last year, however, to reach nearly 2.9m, more than 15.7 per cent of the labour force at the start of the year, and could well top 3m before starting to fall. High unemployment reduces militancy and acts as a brake on wages growth.

The trade unions have also lost much of their former political and economic clout. The unions are specially weak in the fragmented private sector of the economy, where employment is rising, but are also losing ground as the public sector, with its oversized factories, ageing mines and shipyards, restructures the best or closes the hopeless loss makers.

**Anthony Robinson**

■ FOREIGN INVESTMENT

# Flow of funds quickens

While Poland remained in default on its foreign debt it was forced to rely primarily on foreign governments and the international financial institutions for the bulk of its foreign borrowing requirements. This will now change.

The World Bank alone set aside more than $3.5bn for lending to a wide range of projects in Poland from agricultural modernisation to banking reform and environmental protection.

The EBRD has more projects in Poland than any other former communist country and the International Finance Corporation has invested more than $250m.

Until now the rate of disbursement has been rather slow, reflecting bureaucratic and political delays and institutional limitations to Poland's capacity to absorb such funds.

But the London Club agreement opens the way to a much more efficient use of capital by allowing Poland's fast-growing enterprise sector to raise equity capital abroad and allow the Polish state to raise funds from the syndicated loan market on more favourable commercial terms.

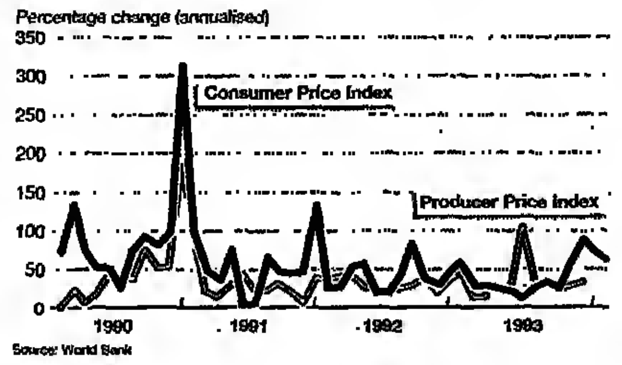
Recent months have seen a considerable increase in foreign equity investment.

But the $2-3bn which has flowed into Poland over the past four years compares poorly with Hungary which has attracted more than $7bn and has only a quarter of Poland's nearly 39m-strong domestic market.

The bulk of equity investment has been made by the multinational consumer goods manufacturers who have been busy buying and modernising existing plants and shops, building new greenfield factories and bottling plants and advertising heavily to create brand recognition and brand loyalty.

**Inflation**

Percentage change (annualised)




Source: World Bank

The two biggest foreign investors to date are Fiat, which has committed $2bn to expanding output and building up the country as the sole source for Europe-wide sales of its new Cinquecento model, and Coca-Cola which has already invested $170m and has committed another $50m in fierce rivalry with Pepsi-Cola.

But the fast expanding list of consumer goods companies attracted by the prospect of a rapid growth from a low base in a large market now includes the leading detergent and household ware companies, including Unilever, Procter and Gamble, Henkel, Benckiser and Cussons, the big fast food chains from McDonald's to Burger King and Pizza Hut, and a growing number of chocolate, confectionery and food processing companies and breweries.

Latest forays into the consumer field include Cadbury Schweppes, which has just built a $30m chocolate factory on a greenfield site near Wroclaw, and Nestlé which paid $25m for a 48 per cent stake in the Goplana confectionery factory near Poznan.

At the beginning of march Heineken paid $40m for a 25 per cent stake in Zywiec, the recently privatised brewery.

The Heineken deal, in particular, revealed how high the cost of acquisitions has risen in recent months.

This follows the spectacular revaluation of the presumed worth of quoted companies on the Warsaw stock exchange where prices rose ninefold in 1993.

The Warsaw Bourse Index has risen a further 50 per cent so far this year.

A wave of new listings and new share flotations is expected in 1994.

The rising cost of buying Polish companies has highlighted the prescience of those bold and long-sighted enough to enter the Polish market four to five years ago when good potential assets could be had for a song.

High on the list of successful early birds is Asea Brown Boveri (ABB) which has invested well over $100m and much managerial and technical input but now employs more than 8,000 people in a series of strategic sectors well placed to take advantage of the expected infrastructure investment boom which lies ahead.

Anthony Robinson

■ Profile: ASEA BROWN BOVERI

# Profitable vision

It would be hard to find an international company with a clearer strategic vision of its role in the development of post-communist Europe than Asea Brown Bovert (ABB), the Swiss-Swedish power engineering group. It would be even harder to find a company which formed that vision so early and applied it so thoroughly and profitably.

Poland has been central to that strategy. ABB has invested well over $100m over the past six years, and concentrated heavily on educating and training what has grown by acquisition and expansion into a more than 8,000-strong workforce. They are employed in a dozen power generation, pollution control, switchgear, railway rolling stock and signalling and engineering enterprises throughout Poland. They produce the products which will be most needed when the country's expected infrastructure development takes off.

Until recently, ABB's growth in Poland was centred on the acquisition of majority stakes or at least management control of former state enterprises, through a variety of ways which reflected the rich menu of privatisation choices.

Most enterprises were run down, obsolescent and relatively cheap, especially the early purchases when ABB was virtually alone in the field. Serious investment in new plant was held back until the human capital and skills of the newly-acquired companies were honed by the transfer of know-how, managerial methods and re-training.

Increasingly, however, the quality of output from Polish plants has been raised to ABB group levels, as proved by the recent granting of the European standard ISO 1091 certification for the gas and steam turbines produced by the ABB Zamech plant, one of the earliest acquisitions.

Having picked up many of the best of the former state companies ABB is shifting ground on the acquisition front. "Our emphasis is now on green field investments. The last three investments were of this type. They have modest start-up capital but the great advantage of being able to structure according to a business plan fom the start," says David Brown, president of ABB's Polish operations.

One of the unexpected benefits of having come in early and strongly to the Polish market stems from its minority, 10 per cent shareholding in Elektrim, the former foreign trade company. Elektrim is fast developing as Poland's biggest private enterprise with sales approaching $1bn and rising profits. Thanks to the booming stock exchange ABB is now sitting on paper profits on its Elektrim shares which come close to the value of its investment in Poland to date.

ABB companies are also well placed to gain big contracts to supply compressors and other Polish-made equipment for the 700km-long Polish section of the projected $7bn new gas pipeline from the Yamal peninsula in northern Russia to western Europe.

**Anthony Robinson**

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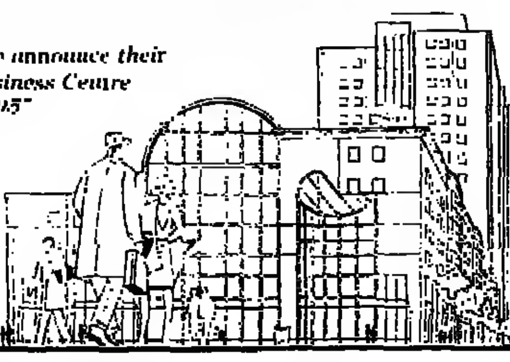

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BANKING & FINANCE

'The wild west days of Polish banking are over,' says bank chief

# Supervision reinforced

The president of the National Bank of Poland, Ms Hanna Gronkiewicz-Waltz, turned up in parliament late on a Friday night last month to tell a packed Sejm that four state-owned banks were having problems. A further 15 private banks and 299 out of 1,600 co-operative banks were threatened with liquidation or facing collapse, she added.

Her warning was greeted calmly, without any sign of a run on the banks by anxious depositors in the days that followed. But why did she run the risk? "Sorting out the problems of the banking sector requires a clear political decision. That's why I went to parliament to explain the situation," she explains. She hastens to add that "the wild west days of Polish banking are over" now that the central bank has reinforced its supervisory powers. But she feels the need for wider political understanding of the need to recapitalise several of the largest banks and support a consolidation of the banking system.

Ms Waltz told parliament that Bank Handlowy, the foreign trade bank, was the only one among 15 state-owned banks to produce "good results" last year. All nine of the commercial banks hived off from the BNP five years ago at the start of bank reforms were also in reasonable shape, she added, partly because seven have been partially recapitalised from state funds.

Two of the original nine banks, Wielkopolski Bank Kredytowy (WBK) and Bank Slaski (BS), have now been privatised and recapitalised through the sale of shares to private investors. The EBRD paid $12.7m for a 28.5 per cent stake in WBK a year ago while ING bank of the Netherlands paid $60m for its 25.9 per cent stake in Bank Slaski. The remaining seven banks are due for privatisation over the next two years.

The emergence of nine privatised regional banks, with substantial foreign minority shareholders, will mark a big step forward in Polish banking. But Cesary Stypulkowski, the president of Bank Handlowy, the biggest and most consistently profitable Polish bank, argues that 15 medium-sized banks are too many for an economy Poland's size. "Probably four or five stronger banks would be better,", he says.

The whole banking sector, he argues, is undercapitalised. "The total capitalisation of Polish banks, at around 40,000bn zloties, is equivalent to that of the 12th largest bank in Germany," he notes. "The Polish economy demands more than that."

Bank Handlowy, which has been transformed over the last three years from a foreign trade bank into a universal corporate bank, alone accounts for a quarter of the total capitalisation of the banking system. It is the only Polish bank which has managed to preserve the real value of its capital base, he says. It raised its provisions from 6.2bn zlotys in 1992 to 9bn zlotys last year after another year of sharply higher profits. Any future capital increase is most likely to come through a stock market flotation of new shares which would dilute the state shareholding and amount to partial privatisation.

Meanwhile, the most difficult problem is how to deal with the 70 or so small and undercapitalised private banks which are the weakest part of the banking system, alongside the small rural co-operative banks.

Both the government and the central bank are worried about the political fall-out of small bank failures in rural areas. The NBP would like to persuade foreign banks to take over and absorb these smaller banks. But few are willing to accept such a poisoned chalice. Until now foreign banks, such as Citibank, have preferred to set up their own wholly-owned operations, or take stakes in larger, state-owned banks.

The central bank also has plans for the 1,600 rural banks, of which more than 200 are in a shaky state. "We would like to form nine or 10 competitive associations of small co-operative banks and then refinance the new associations," Ms Waltz explains.

Until now one of the main obstacles to the entry of foreign capital into the Polish banking system was the absence of a London Club deal. One benefit of the protracted negotiations, however, is that the 400 foreign banks involved in the outcome have been keeping close watch on Polish developments. Some are expected to seek entry to this fast growing market now that an agreement has been reached.

**Anthony Robinson**

Profile: POLSKI BANK ROZWOJU

# Primed for privatisation

Polski Bank Roswojn, the Polish Development Bank (PDB), is one of the new financial institutions set up by the first post-communist government to help finance the transition to a private, market-based economy.

It began operations in February 1991. Untrammelled by communist-style banking habits its functions are to finance fledgling companies, to lubricate the restructuring of public sector enterprises and to channel funds from international institutions such as the World Bank and the European Bank for Reconstruction and Development (EBRD) into specific projects.

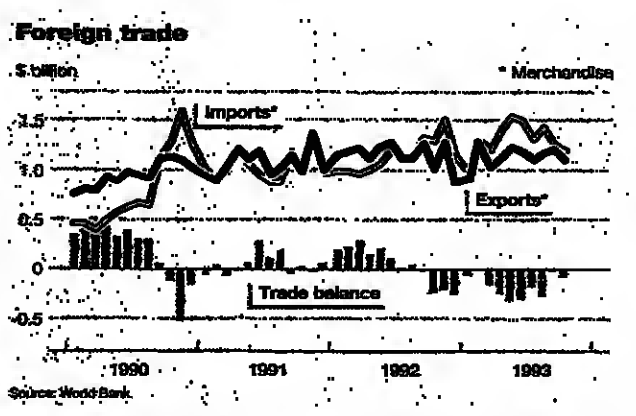
Such is the pace of change in the economy, however, that Mr Wojciech Kostrzewa, the young, German-trained president, says "we have become less and less a development bank and more and more a specialised corporate investment bank". The bank, he adds, "offers a full range of products for large and medium corporations", which means loans of $500,000 and above.

Last year saw a virtual doubling in loans granted from 1,391bn zlotys to 2,521bn zlotys, a 65 per cent real increase after inflation, confirming the rapid growth in demand for investment finance from an increasingly confident private sector. More than 80 per cent of PDB's loans are to private or privatised companies and it is the only Polish bank which runs a regular commercial paper programme, including an active secondary market.

The bank expects a heavy demand for investment credits from joint venture companies but the bank's commercial paper activities are limited to public companies listed on the Warsaw stock exchange. They are preferred because they are subject to the regulatory discipline and tough disclosure requirements of the US-style stock exchange regulators.

The bank is involved in bringing new companies to the stock exchange and has teamed up with Kleinwort Benson, the UK-based merchant bank, to set up and manage one of the new National Investment Funds which will be created as part of the mass privatisation programme.

But Bank Rozwoju is also helping to financially restructure state-owned enterprises prior to privatisation. The most successful example to date concerns the Szczecin shipyard. The deal involved a complex 2,500bn zlotys debt write-off and rescheduling agreement involving several leading banks and more than 1,800 suppliers. It was linked to a series of parallel production agreements with the trade unions and the introduction of modern managerial methods. This combination has transformed the shipyard from heavy loss-maker into one of Europe's few unsubsidised profitable shipyards.




The Szczecin shipyard now turns out around 15 ships a year worth more than $250m and is on the way to privatisation. It recently gained new orders from Chile and Argentina in addition to orders from Germany, other European customers and South Africa.

The bank now hopes to repeat the Szczecin formula at the loss-making state-owned Star truck plant at Starachowice, 200 km south of Warsaw which has been an unemployment black spot ever since the collapse of the old Soviet market for medium trucks and the evaporation of orders from the Polish military in 1991.

Last year Deutsche Investitions und Entwicklungsgesellschaft, a specialist German project financing institution, took a 2.64 per cent stake in the bank alongside Italian, French and Austrian minority shareholders. The Polish Treasury, with 73 per cent of the 1,796bn zlotys capital, remains the biggest shareholder.

This may change, however, if the government authorises PDB to raise fresh capital and dilute the state shareholding by a public offer of shares on a stock exchange which is increasingly coming into its own as a viable source of equity finance and as a privatisation vehicle. If the government gives the green light, as expected, 1994 could see the start of PDB's privatisation.

**Anthony Robinson**

FOREIGN BANKS

# Lame ducks are the target

Most foreign banks were waiting for the outcome of Poland's negotiations with the London Club creditors before deciding whether to open an operation in the country.

But if they do take the plunge they will probably find that getting a banking licence will not be easy. The NBP, the central bank, has imposed a *de facto* moratorium on new banks as it struggles to repair an ailing private banking sector which expanded too fast in 1990 and 1991 and is now knee-deep in bad loans.

Ms Gronkiewicz Waltz, the NBP chairman, says she is happy to see foreign banks coming, but only if they consider taking one of the sector's lame ducks under their wing. That also applies to local investors keen to set up a new bank, she adds.

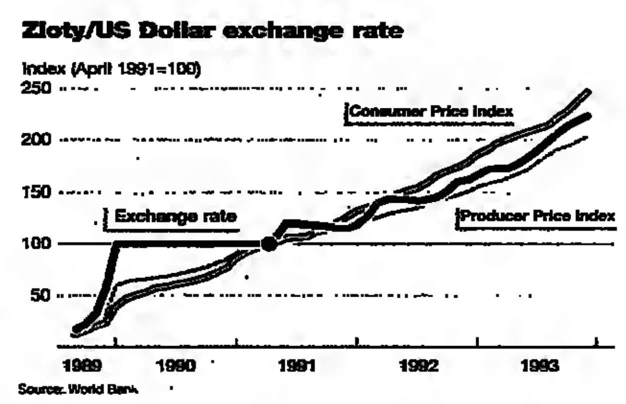
This leaves a handful of banks including Credit Lyonnais, Westdentsche Landesbank and Banque Nationale de Paris, working together with the Dresdner Bank, waiting in a queue and browsing through the NBP's "transfer list" of around 15 small private banks in serious trouble.

But 10 banks with a majority foreign shareholding, who obtained their licences in 1990 and 1991, are already in place. One, the American Bank in Poland, in which Banker's Trust has a 17 per cent stake, is preparing a stock exchange flotation. This would allow foreign shareholders, such as Time Warner and Morrison Knudsen, the US building company, to exit profitably.

Other banks include ING, which bought 25.9 per cent of Bank Slaski, and two Austrian banks active throughout central Europe, Creditanstalt and Raiffeisen, and Citibank.

Citibank is probably the most profitable of the foreign banks. It concentrates on providing foreign trade and cash management services for big foreign investors such as International Paper and McDonald's and has also attracted local customers with the range of electronic banking services on offer. The wholly-owned subsidiary, opened in November 1991 by Mr William Rhodes, Citibank's deputy-chairman, last year reported a 415bn zloty ($18.5m) net profit on the US bank's initial investment of $10m, backed subsequently by a $7.5m subordinated loan from its parent company.

The bank intends to raise its capital to around 900bn zlotys after retaining the net profit of 131.5bn zlotys in 1992 and last year's net profit, together with the subordinated loan. But last year the bank's profit tax break, equal to the sum of the initial capital, expired. Its new capital base will be twice as large as Citibank's Hungarian subsidiary, which is capitalised at $20m and reported a $14m profit in 1992.




Citibank's locally-recruited 120-strong staff are young. For one in three it is their first job. "We have brought in grey hairs from outside the country" says Mr Allan Hirst, the local Texas-bred chief executive. The branch spends $400,000 on training annually.

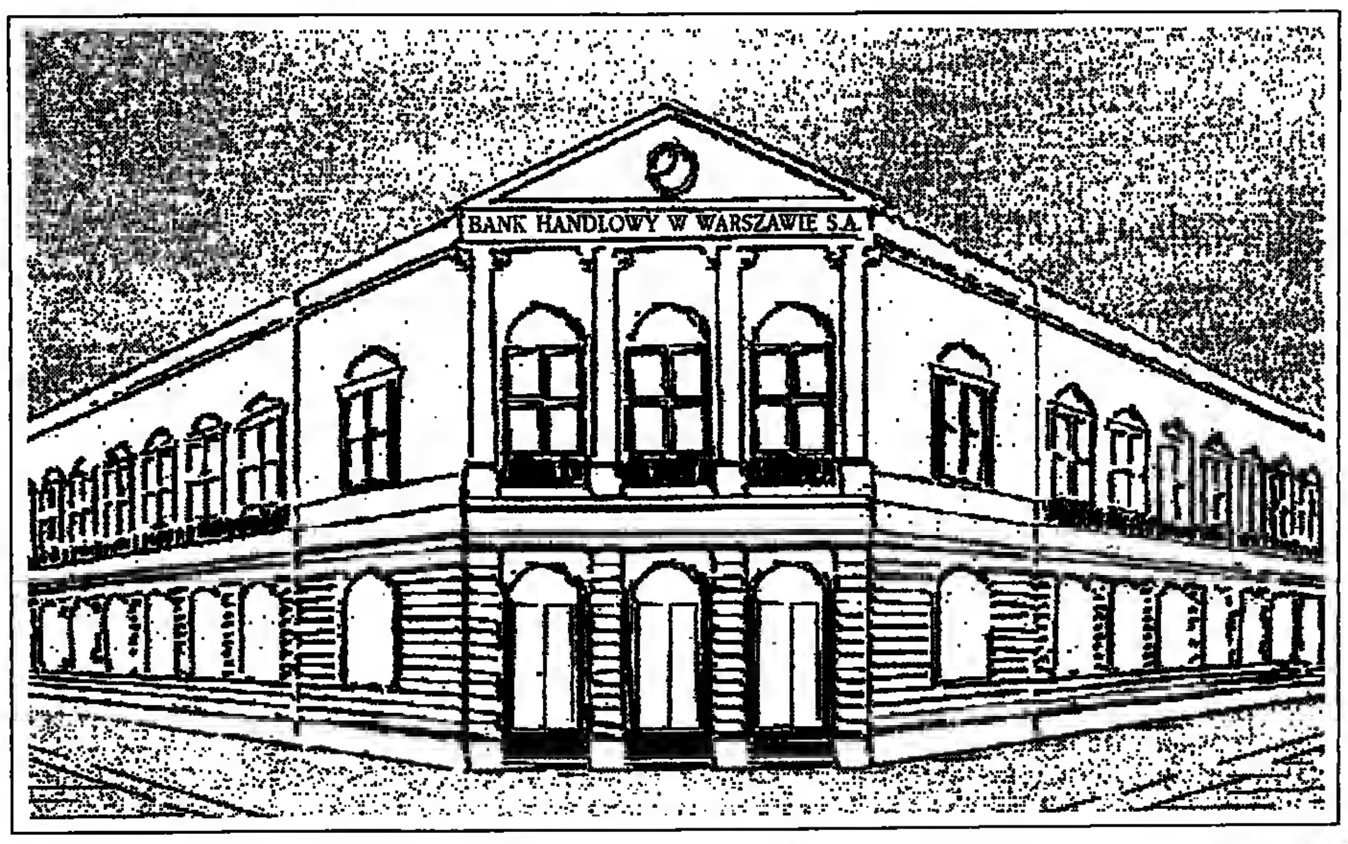
Mr Hirst is sensitive to criticism that foreign banks constitutes a competitive threat to local banks. "All the new Polish clients with whom we are doing business have also stayed with their old banks," he says. From Citibank's point of view it is Polish banks such as Bank Handlowy and the new Export Development Bank (BRE) which are keeping up the competition on interest rates and services.

That said, however, Citibank Poland's gross profit of 541.7bn zlotys last year is high compared to local private banks such as BRE which reported a gross profit of 357.9bn zlotys on a balance sheet double Citibank's 5,010bn zlotys.

This year's capital increase will give Citibank a chance to expand its lending as Polish banking laws restrict individual loans to 10 per cent of a bank's capital. But Mr Hirst also intends to maintain his bank's competitive edge by building up its technological capacity to manage corporate finance and foreign exchange transactions. "In 10 years' time we want to be the provider of the highest quality banking products and services bar none," he says.

**Christopher Bobinski**

BANK HANDLOWY W WARSZAWIE S.A.

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■ STOCK EXCHANGE

# Encore for a star performer

Last year the Warsaw stock exchange became the star performer among the world's emerging capital markets. The challenge this year is to complete its transformation into a fully-fledged capital market institution by ensuring a copious flow of new issues and rapid expansion of the meagre crop of 23 listed companies. The list is expected to double this year.

The achievement of 1993 was to attract foreign capital and raise investor interest, and show millions of Poles that a flutter on the market can be more profitable than a bet on the horses, or leaving cash under a mattress. Even in dollar terms average share prices soared by more than 700 per cent, taking market capitalisation close to $3bn. The surge continued into 1994 with the Warsaw WIG index crossing the 20,000 mark for the first time on February 28.

For Poland's fast-growing private companies, and for the government which needs to raise revenue by privatising state companies, high share prices represent a possibly unique opportunity to raise equity capital cheaply. Current price levels, with price/earnings ratios in the high 30s and beyond, are as much a function of limited supply as frenetic demand from virgin shareholders attracted by visions of easy money in what, until now, has been a one-way market, upwards.

The worst that could happen in 1994 is a spectacular collapse in over-inflated share prices which would deter potential investors for years. The best would be a gradual calming of prices as investors were offered more and more new companies and new shares. The latter is what the market authorities, and prospective new listed companies, and the government are pinning their hopes on.

The market, where trading takes place three times a week under a modified form of the French Bourse system with a 10 per cent limit on daily share movements, survived the September elections with hardly a blip and is backed by the substance of a growing economy and rising profits for many companies. But, on occasions, the prospect of easy wealth has proved too much. When the shares of Bank Slaski made their debut on the WSE earlier this year they were quoted at 13 times the 500,000 Zloty issue price.

Then it turned out that most of the 800,000 Poles who applied for the shares were unable to trade them, because of the long delays in getting shares registered. Practically the only shareholders able to sell were employees of the bank, which is the second of nine state-owned banks hived off from the central bank five years ago.

The Slaski affair taught some important lessons. Politically, it led to the dismissal of the deputy-finance minister who was responsible for floating the shares, and selling a 26 per cent stake to the ING bank of the Netherlands.

With hindsight it was obvious the shares were pitched at too low an offer price. But that was not so clear at the time the share offer was being prepared. Share prices generally were much lower and it was not easy to find a foreign bank to take a significant stake. Foreign banks have been wary of putting capital into Polish banks until a London Club debt agreement was in place.

Probably the most important consequence of the Slaski affair is the thorough way the Polish Securities Commission mounted an investigation of the first day's trading, and the speed with which it then decided to close down the bank's brokerage department and censure top management.

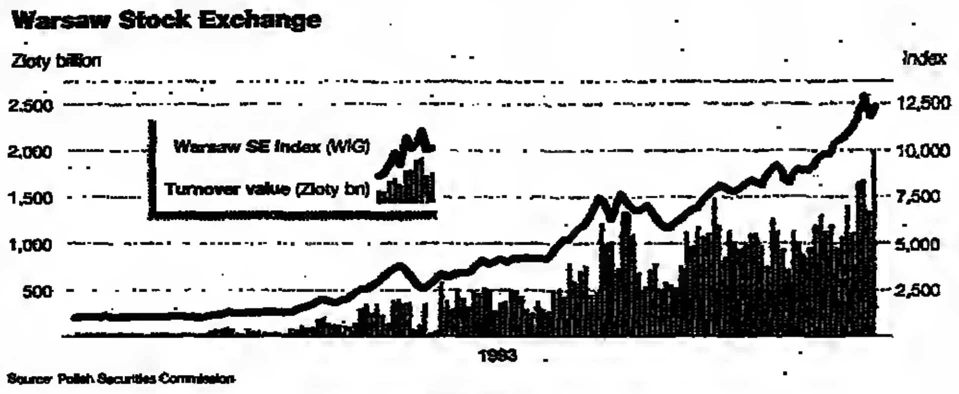
By this prompt action Mr Leslaw Paga, the tough, independent-minded chairman, raised the already high reputation for probity of the Commission. A reputation for transparency is probably the greatest long-term asset of the stock exchange, which is run by Mr Wieslaw Rozlucki, the president and chief executive officer.

But the Slaski affair also revealed the logistical difficulties facing the back-room activities of the new securities industry. Virtually overnight, brokers with little prior experience in an industry which did not exist three years ago, have had to gear up to register and service more than 1m new shareholders.

Most of the buyers have no experience of share purchase and only the vaguest ideas of the true nature and worth of the companies behind the share certificates.

But this, too, is changing as the popularity of the stock exchange has spawned a growing volume of high-quality financial analysis.

Anthony Robinson



Source: Polish Securities Commission


Leslaw Paga: tough head of the Exchange Commission

## New issues in the pipeline

Poland's Securities Commission (PSC) is examining 10 prospectuses prior to a stock market listing. Three are new issues by listed companies, the rest are private and state companies going public.

Three small private companies have won PSC approval for a public offer. They are:

■ Optimus, a computer producer from southern Poland with 36bn zlotys net profit on 1993 sales of 1,082bn zlotys;

■ Prochem, a Warsaw-based chemical plant design bureau with 17.2bn zlotys net profit on 155bn zlotys sales;

■ Domplast, which earned 27bn zlotys on sales of 224bn zlotys.

The three plan to raise a minimum of 474bn zlotys ($21m), with Optimus alone accounting for $15m.

Over the last quarter three quoted companies – BRE, Exbud and Efekt – raised 1,134bn zlotys ($51m) through rights and new stock issues.

Swarzedz, the Poznan-based furniture company, and Bank IG are currently offering rights and new shares of 1,040bn zlotys.

The Privatisation Ministry intends to sell the Polifarb Wroclaw paints producer and the Jelfa, pharmaceuticals plant from Jelenia Gora in April through a public offer.

■ FOREIGN DEBT

# Doors open to foreign credit

The agreement between Poland and its London Club creditors for a 42.5 per cent reduction and rescheduling over 30 years of its total $13.2bn debt to foreign commercial banks re-opens the door to Polish commercial borrowing on international capital markets.

The deal signed in Frankfurt on March 11 is arguably the most important single economic and political event since former finance minister Leszek Balcerowicz inaugurated his shock therapy market reforms in January 1990.

That is certainly the view of Poland's plenipotentiary foreign debt negotiator, Mr Krzysztof Krowacki, who steered negotiations for the Polish side.

"The London Club agreement means normalisation of financial relations. It will enable Poland to raise the finance needed to ensure continuing economic growth and to meet the hump in debt repayments ahead," he said. "Without such an agreement Poland would have been forced to renegotiate the Paris Club agreement (with official creditors) and that would have been suicidal. A window of opportunity opened up and we took it," he says.

Under the terms of the outline agreement the net present value loss to the banks of the write-off will be around 42.5 per cent. This is below the 50 per cent sought by Poland which was required by its 1991 Paris Club agreement with official creditors to seek a deal similar to the two-stage 50 per cent write-down in Poland's $33bn official debt.

The banks refused to be bound by the Paris Club terms, however, and argued that Poland, a potentially rich country with considerable natural resources, a skilled labour force and a fast-growing economy, could afford to pay more.

Poland will repay part of the $9.3bn principal and $3.8bn unpaid interest and a menu of instruments repayable over 30 years.

These include 45 per cent discounted bonds, on which interest will be repaid at market rates, par bonds with interest well below market rates and "new money" in the form of base debt bonds at below market interest, but repayable over five years.

Mr Krowacki expects the initial cost to Poland of the London Club agreement will be around $1.3bn in 1994, of which $500m will be provided by the World Bank and $300m by the IMF, leaving $500m to be financed from the reserves of the Polish National Bank.

Poland's total debt servicing charge, including London Club repayments, will probably exceed $6bn annually by the end of the first decade of the new century, Mr Krowacki calculates. By then the gamble is that steady growth, partly fuelled by access to international capital markets, will have greatly increased Poland's GDP – and its capacity to finance a higher debt burden.

Anthony Robinson

**Christopher Bobinski** discusses the role of the Agro-Industrial Bank

# Focus on food processing

The Agro-Industrial Bank is Poland's newest bank and Mr Dariusz Ledworowski, the former foreign trade minister who runs it, is confident about its future.

"We're starting after all the others, so we won't be repeating their mistakes and we have qualified staff. All our credit officers have at least three years' experience, and no more than five," he says. That means none is influenced by socialist-style banking.

The bank has been helped by the toughness of the central bank's supervisory regime. "Slightly to our surprise they really came in and checked out the qualifications of our staff," Mr Ledworowski says.

The bank opened in February and iscapitalised at a modest 170bn zlotys ($7.7m). Part of the capital comes from the funds earned from sales of European Community food aid in 1990, and part from the US Congress-funded Polish American Enterprise Fund which has 20 per cent of the equity. The EC-funded Counterpart Fund owns 46 per cent. Various farm-related state agencies are the remaining shareholders.

The shareholders reflect the bank's specialisation – the financing of medium-sized food processing businesses – rather than farming itself. "The European Community, which had to give the go-ahead for aid funds to be put into the bank, liked that idea," Mr Ledworowski says. He hopes to lend 150bn zlotys by the and of this year.

Later, the bank intends to raise new capital, by bringing in private shareholders, and also to develop an investment banking arm to establish an equity fund for privatisations. Other specialised activities will include channelling EC aid for the financing of rural gasification and telephone projects and loans to managers who have leased former state farms.

At present the new bank provides little competitive challenge to the huge Food Economy Bank (BGZ), which is closely linked to the ruling Peasants party and has received a capital injection of more than 3,000bn zlotys from the state. The BGZ was the main source of finance for the farming sector and the agricultural machinery industry in the past, along with a mass of mostly weak and undercapitalised rural co-operative banks.

But the new bank is targeting the most forward-looking parts of the country's developing agro business which offers the best opportunity for adding value to Poland's farm output.

■ PRIVATISATION

# Smorgasbord of methods

After a seemingly endless gestation, Poland's new National Investment Funds, or NIFs, should see the light of day within weeks. "The first funds will be ready by the middle of the year and the distribution of shares in the funds will take place around the end of the year," promises Wieslaw Kaczmarek, the privatisation minister, who is from the SLD side of the coalition government.

But a big logistical effort will be required to cope with the resulting explosion in share ownership. "When the NIFs are up and running, 9m Poles will have shares and maybe 1.5m will retain them. This means we will have to develop our capital markets and the supporting institutions. At present there are only 400,000 investors who have accounts with brokers and a further 350,000 waiting to open one. We will have big organisational problems unless we find innovative solutions like selling shares through the post office or insurance companies," the minister says.

The ministry is looking for assistance from abroad, especially from the EBRD which has indicated it would consider lending up to $400m to help restructure companies involved in the scheme. More than 30 potential fund management groups, many of them joint venture partnerships between foreign merchant banks and financial institutions and their Polish equivalents, are competing for the privilege of managing a portfolio of 20-30 former state controlled enterprises each.

"The phrase mass privatisation is artificial. In fact it is a large restructuring programme covering about 10 per cent of Polish state companies", says Mr Kaczmarek of a scheme under which up to 600 of the formerly 3,000 state enterprises will be managed by NIFs on behalf of their ultimate owners, the 9m Poles who will be offered shares in the funds.

Mass privatisation is only one part of a smorgasbord of privatisation methods used in Poland. Most of the biggest deals have essentially been trade sales to foreign investors, but many economists and businessmen believe that the most effective privatisation has involved various forms of asset-stripping of state enterprises, of more or less transparent legality.

In this way many over-sized state companies have been effectively downgraded. In many cases the funds received, or part of them, have been used to help finance the restructuring of the enterprises' rump activities while the assets sold, including truck fleets, surplus warehousing or office capacity and selected workshops and equipment, have often been much more efficiently and profitably used by their new private owners.

To a substantial but largely unquantifiable degree the availability of cheap assets from state enterprises helped to compensate for the initial shortage of capital in the private sector and sidestep the difficulty and high cost of borrowing money from the banks. But the often underhand and opaque process has inevitably brought charges of corruption and theft and engendered a degree of popular discontent with privatisation which surfaced at the last elections.

Mr Kaczmarek, a strong supporter of privatisation like other senior SLD members whose experience of running a bankrupt command economy converted them to the virtues of private enterprise, says that one of his priorities is to try and change the image of privatisation and depoliticise the subject by making the processes of privatisation more transparent.

His task has been made easier by the surge on the stock market which has given millions of Poles their first tangible evidence that a capitalist economy allows even the small man to benefit.

Above all, a functioning stock market offers the government a new, and transparent way of privatising state assets and acquiring funds for the state treasury without raising taxes.

"We did not realise how much capital was available in Poland until the booming stock market flushed it out," says Mr Kaczmarek. "But I fear that many politicians remain suspicious of and hostile to capitalism and are capable of destroying this positive development," he adds. Many of them are backwoodsmen in his own party. But perhaps the most outspoken critic of privatisation and the new capitalist system is Bogdan Pek, the Peasant Party privatisation spokesman who is head of the parliamentary privatisation committee. Tension between the two men is a reflection of the seismic fault lines which underlie the coalition of former communist Social Democrats and suspicious farmers imbued with anti-capitalist notions derived from their religious faith.

The first test of privatisation through the stock market will come shortly with the initial public offer of shares in the Polifarb paint company which will simultaneously raise capital for the new company and funds for the treasury. But Mr Kaczmarek is also thinking of selling some of the 20-30 per cent shareholdings which the state retains in many privatised companies as a strategic move to help calm what many see as an overheated exchange by increasing the supply of shares.

But the way in which the surging stock market has helped to increase the attractiveness of privatisation to workers and managers, who get 10 per cent of the shares in their privatised enterprise free, and preferential terms for additional shares, is sometimes proving a double-edged weapon. "Workers and managers are sometimes tempted to try and lower the value of the enterprise before privatisation as this makes the shares cheaper," the minister worries.

The problem here is that the privatisation ministry is not in complete control of the privatisation process by any means. "The ministry can prepare projects but it is the ministry of industry which has control of 1,100 enterprises which are sellable and many other assets are owned by provincial and municipal bodies who often apply different standards and procedures, confusing foreign investors, especially as some of the local authority heads remain opposed to privatisation on principle," he adds.

It is partly to reduce that confusion that the State Agency for Foreign Investment (PAIZ) has been reinforced in recent months with the aim of providing potential foreign investors with a one-stop institution specifically designed to guide them round the bureaucratic maze.


Wieslaw Kaczmarek: looking for assistance from abroad

# Delay has been beneficial

Over the past four years, Poland has had five governments and five ministers of privatisation, although one of them, Janusz Lewandowski of the Free Market Liberal Democrats, held the job in two different governments.

Now the head of an economic think-tank in Gdansk, Mr Lewandowski, who privatised a rush of state companies in his last months as minister in the government of Ms Hanna Suchocka, is at liberty to compare the Polish experience with privatisation elsewhere. "Looking back, I think we should have taken more advantage of the first flush of romantic enthusiasm for the free market economy and privatised quickly like the Czechs," he says.

"But unfortunately we had nothing like the clear political leadership shown by Vaclav Klaus, who as finance minister then prime minister of the Czech Republic, has given a single-minded continuity to Czech economic reforms."

Instead, Poland had a series of weak coalition governments. "My main problems in the last government were the Christian parties, who were suspicious of capitalism in general, and President Walesa who came up with his own scheme promising Poles that privatisation would make them all $1,000 richer. That made us vulnerable to suspicion that we were selling off the supposed 'family jewels' of Polish industry to foreigners too cheaply or corruptly. The Czechs had stronger and more committed executive power – and a president, the former playwright Vaclav Havel, who did not meddle in economic policy," he adds.

What is more, neither Hungary nor former Czechoslovakia, nor indeed any other former communist state, had any equivalent to the powerful Solidarity movement and the tradition of worker power it represented. Privatisation in Poland has often been delayed and conditioned by the need to involve the workforce.

The Suchocka government's tripartite "Enterprise Pact", which was heavily influenced by the workerist views of Jacek Kuron, the former labour minister and long-time Solidarity and Worker Defence Movement (KOR) activist, specifically gave an important role to the unions and the management of state-owned enterprises.

In spite of the obstacles, including the lengthy bureaucratic procedures, the attempt to twin privatisation with a broader industrial development strategy through complex sectoral studies, and the heavily politicised decision-making process, Mr Lewandowski underlines that privatisation has progressed a long way in four years.

"At an enterprise level Polish companies have adjusted much faster than the more chaotically privatised Czech companies. In the Czech Republic the managerial changes associated with private ownership are only beginning and the investment funds are run mainly by state-owned banks."

The statistics tend to back up the former minister's argument. Polish industrial production and GDP have been rising strongly for two years. The Czech Republic and, especially Hungary, are still on the verge of sustained growth.

Anthony Robinson

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INFRASTRUCTURE

■ RAILWAYS

# Network lined up for more severe cuts

Polisb Railways (PKP) set great store by their plans to speed up the journey time between Warsaw and Berlin by 85 minutes in 1997.

"It will be our visiting card," says an enthusiastic Alexander Janiszewski, the head of PKP, who is sorely constrained in his modernisation plans by running losses which have to be covered each year out of the railways' investment funds.

Seed money for the Ecu487m ($535m) Warsaw-to-Berlin project has come from an ECU30m grant provided under the European Union'a Phare (aid for eastern Europe) programme. Further financing is to come from a European Investment Bank Ecu200m loan which needs only Polish government guarantees to be completed.

Talks are also advanced on an additional Ecu50m loan from the European Bank for Reconstruction and Development. Only the World Bank has doubts about the plan which by bringing travel time down to 5¼ hours between the two city centres would reduce the rail journey to within striking distance of competing with flight time between Warsaw and Berlin.

"The World Bank thinks the project will divert resources from more pressing needs elsewhere on our system," Mr Janiszewski admits. But the PKP's overall plans involve contraction rather than expansion. PKP is cutting lines as economic changes of the past five years have brought a sharp fall in goods and passenger traffic. The railways now carry less than half the goods carried at their peak in 1980 when they moved 480m tonnes, compared with 214m tonnes last year, and carried 1.1bn passengers, compared with 530m in 1993.

Rail management estimates that the country only needs half of its 24,000km network. Alresdy 1,000km have been taken out of service since 1989 and another 4,000km are slated for closure. Mr Janiszewski is hoping to hand a further 3,000km to local governments.

The cut in traffic means that employees are having to be laid off in the face of resistance led by the Solidarity trade union. Over 80,000 jobs have been cut on the railways since 1989 leaving a total workforce of 252,000 at the end of last year. A further 5,000 job losses are planned for this year. At the beginning of the 1980s the railways employed some 450,000 people.

The cuts are also affecting rolling stock purchases and have hit the great industrial suppliers – the Pawafag factory in Wroclaw and the Cegielski works in Poznan. Cegielski has been especially vociferous in demanding that PKP buy its Z-2 standard passenger cars which are not suited to the high-speed line planned between Berlin and Warsaw.

The protests have, however, produced a deal with ABB Wagon Union in Berlin under which Cegielski will co-operate in producing the first 50 modern cars worth DM130m ($74m) and will also be handed the technology to produce subsequent orders. Hermes, the German export credits agency, is financing the deal which is backed by guarantees from Bank Handlowy and the finance ministry.

Meanwhile, the factory has won a breathing space as PKP is buying 33 of the older standard cars Cegielski makes to replace some of its 8,000 or so existing stock at prices set at below production cost. Pawafag in Wroclaw can only hope for orders from PKP to the extent of between 10 and five electric locomotives a year as replacements for the 2,300 in service.

The privatisation ministry thinks that is enough to secure the future of the factory which has just been put up for sale. Several leading western companies, including Siemens, GEC Alsthom and ABB Henschel, have indicated an interest in Pawafag which produced eight electric locomotives last year. But Mr Janiszewski's priority is maintaining the level of the state budget subsidy, set at 6,500bn zlotys for 1994.

Last year the subsidy amounted to 6,800bn zlotys which, with costs reaching 53,000bn zlotys and revenues of 44,000bn zlotys, still left a 2,200bn zlotys deficit. Rail subsidies, he notes, are higher abroad and were they to be further reduced then passenger services provided by PKP would have to suffer.

**Christopher Bobinski**

■ ROADS

# Dream motorways take shape

Poland, a flat country at the centre of Europe, is a road builder's dream. As traffic density builds up and the importance of transit traffic grows, an ambitious toll motorway building programme costing over $6bn and stretching until 2007 is taking shape.

Mr Boguslaw Liberadzki, the transport minister, argues that the financial burden of the programme cannot be carried by the state. Nor should the state operate the 2,600km of the north-south and east-west motorways he wants built over the next 15 years.

"I don't believe that a state-owned enterprise will do this in the most efficient and profitable way possible," he emphasises.

"Nor do I think that the state should take on new debt burdens to finance the programme – it has enough on its plate as it is," he adds referring to Poland's heavy existing foreign debt.

His words would not raise eyebrows if coming from a minister in Poland's previous free-market liberal governments.

But Mr Liberadzki is a member of the ceotre-left government elected in last autumn and his words reflect the market-orientated pragmatism of the new generation of social democratic politicians even though their origins trace back to the communist years.

In another break with the past, Mr Liberadzki is also determined that the new Motorway Agency, which will oversee the road building programme and operate the routes, will "above all be staffed by qualified financiers and lawyers rather than by engineers".

The state will oversee the new agency, and be reposnible for procuring the land requird. Land purchase alone is expected to cost 1,500bn zlotys a year for the next two decades, and amount to around 15 per cent of the cost of the entire programme.

The agency will also be responsible for ensuring that the motorways, once operational, are kept in good repair. But the engineers will be "on tap, not on top" as they were in the socialist period.

Mr Stefan Kirk, of Morgan Grenfell which helped finan ce Hungary's M1 motorway linking Budapest with tbe Austrian frontier, underlines that "expert advice is of particular importance in view of the financial complexity of these projects".

Each new road will need "reliable and adequate traffic projections" before proceeding, he adds.

Mr Liberadzki agrees that Poland needs in-depth market atudies to analyse the surroundings of the routes up to 50km on either side and to look for ways of channelling maximum traffic on to the tollways. He still has time for the studies as the draft law governing the road building and operating programme is still at the consultation stage between government departments. It is expected to be approved by parliament later this year.

Only then will the main routes be put out to tender by the Motorway Agency to consortia capable of offering construction, capacity financing and operating ability. Mr Liberadzki says $500m should suffice to build between 150km and 170km of motorway in the first stage of the 138,000bn zloty ($6.2bn) orogramme.

The focus at present is concentrated on raising private funding. There is bttle sign of more substantial funds coming from the European Union, in spite of grandiose plans for trans-European networks, including a Berlin to Moscow road link, unveiled last December by Mr Jacques Delors.

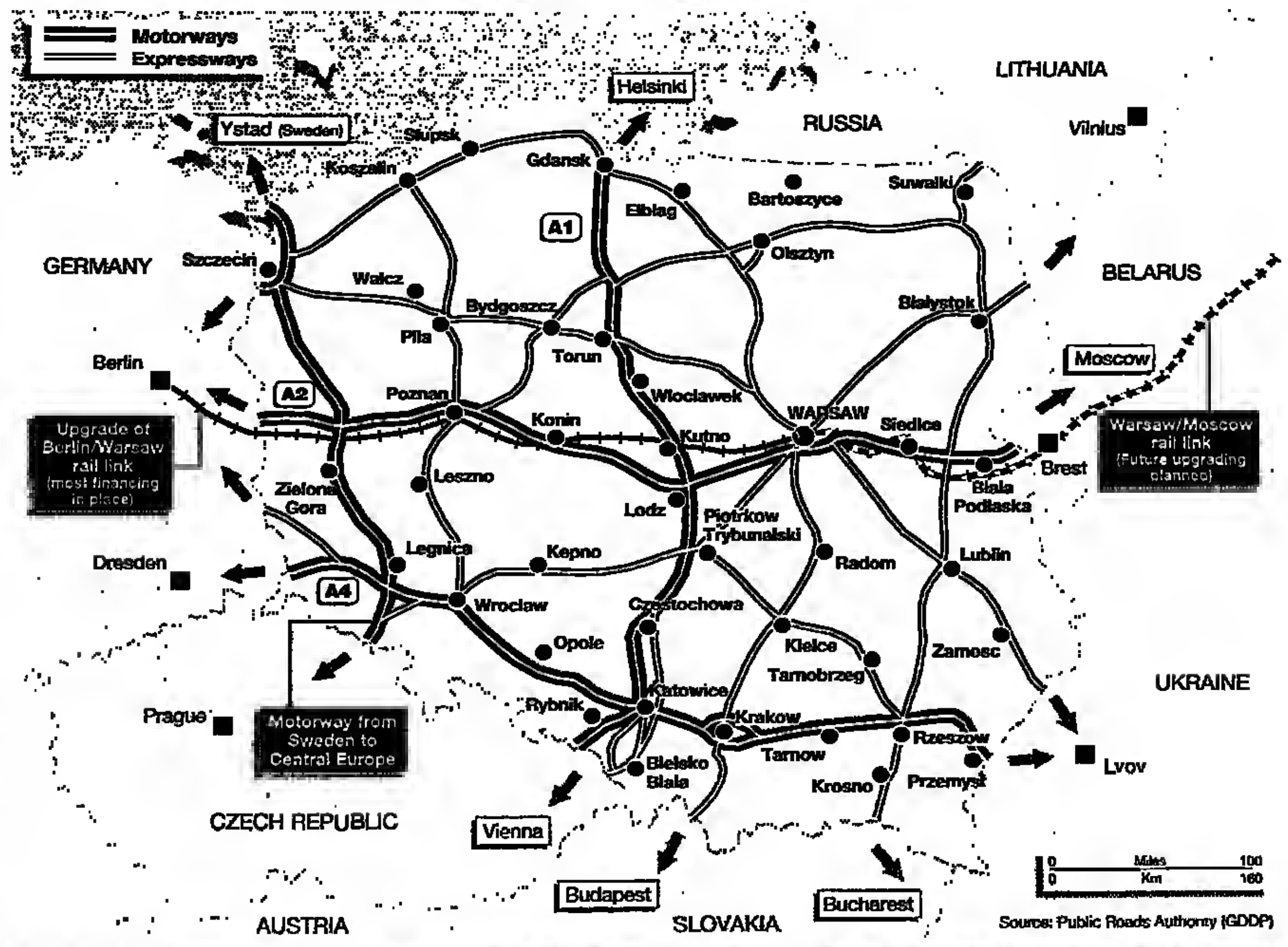
The four main routes planned include the 626km east-west motorway linking Terespol on the eastern frontier to Warsaw and on across the western border to Berlin, and the 502km link between Gdansk on the Baltic with the southern border. Another 482 km east-west link is planned in the south between Medyka and Germany.

The most controversial project is a 365km motorway which would link Scandinavia via the port of Szczecin to the Czech frontier and on to sonthern Europe. The latter roadway was added to the programme last December.

The previous government's programme, accepted in the summer, only contained the first three routes. But Scandinavian interest in acquiring fast access to central and southern Europe through Poland is high and traffic in the western territories is growing fast. At the same time a new high capacity road would help to relieve the pressure on the German autobahns on the other side of the Oder-Neisse rivers which mark the border.

**Christopher Bobinski**

**Planned system of motorways and express railways**




New highways and upgraded railways could lead to big contracts. They also underline Poland's strategic east-west role and strengthen its presence in the fast-growing Baltic region

■ PROPERTY

# Red tape slows pace

On one Warsaw corner, a building pockmarked by bullets fired during the second world war is falling down. On the next corner, a brand new set of offices, built with the money of foreign investors, is already in operation. Slums stand beside prosperous shops, unfinished office blocks dot the landscape. But the confusion is only the outward manifestation of a property market that is growing very quickly, but not always consistently.

In fact, the Polish property market presents something of a paradox. On the one hand, Poland faces urgent shortages of all kinds of housing and commercial property. As in the past, young Polish couples live with their parents due to the absence of cheap housing. At the other end of the market Sprint, the American telecommunications company, recently asked Peter Choynowski, the chairman of Prime Property Inc, to find 50 large houses, built to American standards, for its employees. "We've found 12," he said, "and we look for more every day." Rents are upwards of $2,500 a month; the asking price of one new, four-bedroom house in one of the better Warsaw neighbourhoods is $450,000.

At the same time, however, property prices at all but the very highest level of the market – a tiny handful of new office buildings in Warsaw and a few large, well-located houses – are relatively low compared to other prices, and have, in fact, dropped since the collapse of the communist regime. A high quality, 100 square metre flat in central Warsaw can sell for as little as $50,000, and smaller flats in new apartment blocks change hands for $10,000. This is partly because recession and rapid economic changes have forced many more properties on to a market which was artificially small in the past. Low prices are also connected to several bottlenecks which are peculiar to Poland's transitional economy.

It is still legally impossible to evict anyone from his "primary residence" and for this reason banks are wary of granting mortgages. Until the law, which is due to change, is altered, most housing property will be purchased with cash. "Because they can't take out loans, people right now prefer to rent than to buy," said Ryszard Strzelczyk, the chairman of the Strzelczyk Corporation estate agency.

As in the past, over-regulation and the slow pace of bureaucracy also continue to affect the market. To buy land or buildings, foreigners are still required to obtain clearance from the interior ministry. While few purchasers are turned down, the procedure can add months to a transaction. Land sales are further hampered – and development projects slowed – by confusion over plans to carry out "re-privatisation", which would allow some owners whose property was confiscated by the communist government to reclaim it. Although much discussed, the law on re-privatisation has yet to pass, and until it does – or decisively does not – many transactions will remain on hold.

The other important bottleneck is the difficulty of obtaining finance – a problem which Chris Grzesik of Price Waterhouse called a "chicken-and-egg situation". Most Polish banks will not lend money to developers, he said, until they have at least 30 per cent of their space pre-let. Yet, most Polish companies, wary of

Continued on page 6

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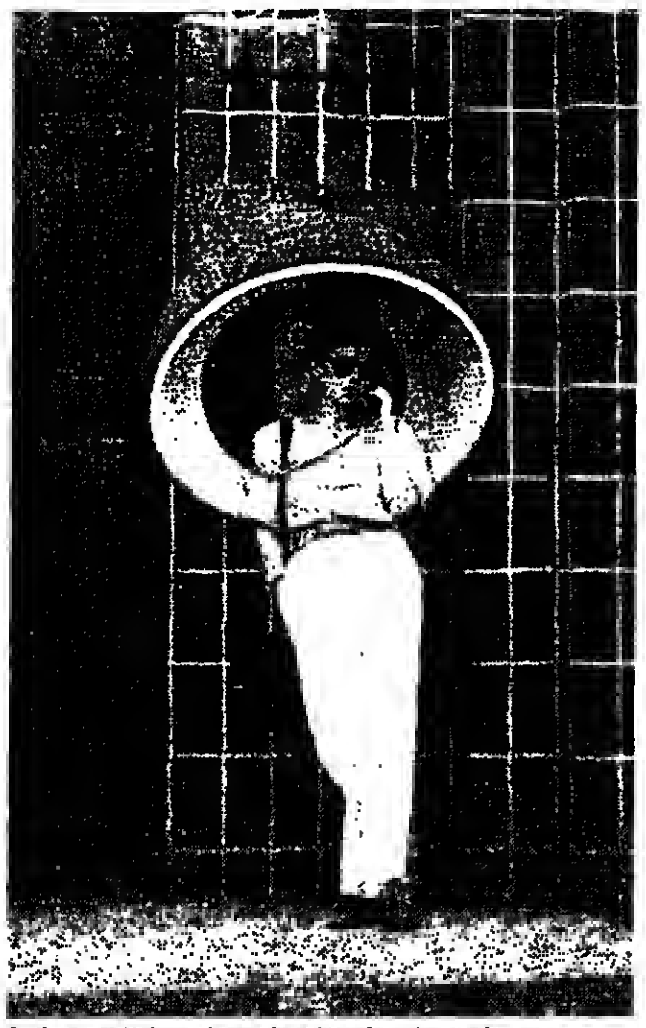

On the line: telephone charges have been forced upwards

■ TELECOMMUNICATIONS

# Doubling connections

Successive Polish governments since 1989 have recognised that improving the country's telecommunications system is central to the chances of attracting foreign investment and economic growth.

To pay for a better service in future telephone charges have been forced upwards, giving Telekomunikacja Polska (TP SA), the state-owned operator, a 70 per cent profit margin from which to finance development and supplement World Bank loans and supplier credits.

The present centre-left government appears set on continuing this policy with Mr Andrzej Zielinski, the new telecommunications minister, confirming his predecessor's aim to have 10m lines installed by the end of the century, double the present lineage. Mr Jerzy Stopczyk, TP SA's investment manager, recognises that even if his company were to slow its investment efforts private operators would step in to fill the gap. "The rapid growth of the past few years has got people used to the idea that telephones are accessible and they will go elsewhere if we don't provide them," he says.

Already some 70 licences have been issued to mainly small local private projects which have yet to become operational. But RP Telekom, a company working with Sprint of the US, is forging ahead on plans to provide a private service in Pila and in Katowice in the first significant challenge to the state-owned operator.

Meanwhile, TP SA plans to invest $600m this year on the installation of 680,000 lines and around the same number is planned for 1995.

**The aim is to have 10m lines installed by the end of the century, double the present number of connections**

Recent capital investment has already improved international connections significantly and by the end of this year the inter-city network, the country's present communications nightmare, should be two-thirds complete.

Previous governments consciously chose a policy of restricting the number of equipment suppliers to three – AT&T from the US and Alcatel and Siemens from Europe. These were then forced not only to buy ailing Polish telecommunications equipment plants but also to produce half of the equipment to be supplied to TP SA locally.

Mr Stanislaw Szuder, the head of AT&T Telfa which has an agreement to supply the Gdansk district with 230,000 lines, says he is happy with the arrangement and confident the deal will go ahead. Private financing from abroad for the project worth $150m still has to be agreed with TP SA however in a deal which is expected to be closed in the autumn.

For the rest, TP SA is preparing a three-year plan to run till 1997 giving suppliers an idea of what its short-term needs are.

Meanwhile, Centertel, a mobile phone operator jointly owned by TP SA, Ameritech of the US and France Telekom, is pressing ahead with installing its NMT phone system and already has around 11,000 subscribers. It will face a formidable challenge, though, when the government decides to go ahead with a tender for a more modern GSM network which in contrast to Centertel which operates on 450 mhz, will be compatible with other European networks.

**Christopher Bobinski**

SOCIAL PROBLEMS

■ HEALTH

# Prescription for discontent

A recent visit to the Dr J. Biziela Hospital in the western city of Bydgoszcz found the hospital's economic director, Leszek Kowalik, on the telephone arguing about the proposed purchase of a new piece of diagnostic equipment. "Professor," he shouted down the line, "we have negotiated with everyone, now we are negotiating with some Italians who might sell more cheaply, but it won't be ready just yet, I am sorry."

A recent visit to the Polish ministry of health in Warsaw, on the other hand, found the new health minister, Ryszard Zochowski, staying late in his office, unable to go home for the evening due to ongoing negotiations with the health service unions. These unions, he said, did not understand that the ministry could not increase their pay. "Our budget was allotted to us by the former government of Prime Minister Hanna Suchocka, and it is not sufficient. Next year," he concluded, "I am sure it will be different."

The similarity between the concerns of Mr Kowalik and Mr Zochowski is not accidental. Caught between demands for modern medical supplies and demands for higher salaries, the bureaucrats and politicians who run the Polish health system find themselves, these days, almost constantly negotiating for more money.

In recent months, the negotiations have taken on a new urgency. Cuts in public sector funding, including the virtual freezing of salaries for Poland's 735,000 health service workers, helped create public dissatisfaction with the Solidarity-affiliated governments which ran Poland for four years.

The present government, composed of parties affiliated to the former communist party, promised to improve public sector funding. Now, Minister Zochowski faces a high level of political pressure: he must placate an electorate which is demanding better service and a group of trade unions demanding higher pay, while at the same time operating a health system which spends only $75 per capita, a figure well below western European levels of $1,200 to $2,000 per capita.

Few believe that there can be much improvement in either service or salaries if the health care financing system remains unchanged. At present, all health care – including hospitals, clinics, and medical training – is ultimately financed out of the central budget, although local governments do help distribute some of the money.

Given the stringency of Poland's recent budgets, it is hardly surprising that this system of central budget funding leaves hospitals in a Catch-22 position. On the one hand, as Mr Kowalik pointed out, the Biziela hospital receives only enough money from the state budget to pay its operating costs, 70 per cent of which consisting of salaries, to make really large savings.

Incapable either of investment or of real savings, the hospital has slid slowly into debt, and saves money by skimping on essentials. A mere 18,000 zlotys, about $0.81, is spent on feeding each patient three meals a day. The average doctors' basic pay in Biziela Hospital is 3.3m zlotys ($150) a month.

**The health service is famous for queues and bad food and doctors are famed for their inattentiveness**

As a result, the Polish health service is famous for queues and bad food, and Polish doctors – although many are no less qualified than their western counterparts – are famed for their inattentiveness. Health care has also ceased, in fact, to be free for everyone.

As in hospitals elsewhere in Poland, most doctors in the Biziela hospital have been forced to turn to some form of private practice. Some do this legally: one doctor in the department of internal medicine said he had set up an office for private consultations in his home, along with many of his colleagues. Appointments can be made faster, and medical standards are believed to be higher in this new, semi-official private sector.

Others earn money illegally. At the Biziela hospital, a story, possibly apocryphal but certainly typical, is doing the rounds. Allegedly, an elderly patient was asked to pay 15m zlotys for an operation. Not knowing that this was a bribe rather than an obligatory contribution, he wrote to the hospital's director, to ask for a reduction. Bribery can also take the form of gifts to nurses, who earn on average 2.4m zlotys, a month.

Although reforms of health finance have been much discussed, the governments of the past four years have so far achieved very little. Like his predecessors, Minister Zochowski favours a mixed system – one which, in other words, would ask people to continue paying for part of their health care, but in a more regulated manner.

The ministry is proposing to let the central government fund health education and big central investments, while at the same time creating a national insurance system to finance both family doctors and hospitals.

Although the project is not beyond the planning stages – it is not clear, for example, whether the insurance system will be wholly state-run or partly private – he said he hoped to begin putting such a system in place by the end of the year. The health service unions say they support the switch to a partially paid system. According to Mr Zochowski, they are now complaining that the changes should be brought about faster.

But there are also fears that doctors and nurses will not support such changes in practice. "We know that about half the doctors in this hospital support some form of privatisation in the health system," said the doctor of internal medicine at Biziela Hospital. "We know that half are against. Obviously, they are against because they make profits within this system, and prefer not to face more competition."

**Anne Applebaum**

# Red tape slows down pace

*Continued from page 4*

plans which often fell through in the past, will not sign a lease until a project is well under way.

For those who can overcome bureaucratic obstacles, several trends are clear. Because very high quality offire space is virtually unavailable in Warsaw, rents in the centre of the city are high. One Polish-American joint venture, the Warsaw Corporate Centre, has rented out 90 per cent of its office space at $50 a square metre since its completion in 1993. Most other projects with foreign funding are in the planning stages, mostly slowed by financing problems. Those which are further along include a joint venture between Skanska, the Swedish developers, and the local authority, which is designed to create 80,000 square metres of office space in central Warsaw.

The development of Warsaw's suburbs is also just beginning. Standard flats in tower blocks are still being sold and purchased – they constitute, after all, the bulk of the market – but the acquisition of a *dzialka budowlana*, a piece of land on which to build a house, is what most Polish families are now saving for. Some are now buying land which is not yet approved for residential use. Several foreign companies have started development projects, often using identical housing "kits" imported from abroad, although none has succeeded yet on a large scale. Already, in relatively close suburbs such as Wilanow and Anin, more carefully designed family houses are being built with the expectation that they will be worth several hundred thousand dollars.

The bottleneck holding up suburban development is the absence of good roads and public transportation. This is true of all principal Polish cities, but Warsaw in particular. Many would-be suburban settlements in the more distant satellite villages also lack proper sewage, water and electricity installations.

Perhaps the best sign of the increasing interest in property is the financial health, and increasing sophistication, of Warsaw's estate agents. Once famous for being little more than individual brokers who took their clients round the city on public buses, the big agencies now have catalogues, computers, and advertising campaigns.

The Dragowski Agency, the largest in Warsaw, has an annual turnover of nearly $1.5m and that is before the boom which Lech Dragowski, the company's chairman, believes is coming within the next year or two. "It is senseless for Poles to invest in property while the stock market is still rising 20 per cent every month," he said. "But when that ends, we may be one of the beneficiaries."

**Anne Applebaum**
*Foreign Editor, The Spectator*

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■ EDUCATION

# Unions fail to learn their lessons

In the 1970s, all Polish schoolchildren were required to memorise a poem, in Russian, about the portrait of Lenin which hung from their classroom walls: "When the sun rises and looks into our classroom, It lights up brightly a painting on the wall: like a word of greeting for a good day, Vladimir Ilyich, as if alive, is looking at me."

These days, Polish childreo no longer learn such rhymes. The textbooks are different, the lectures in atheism have been replaced by catechism, references to Marx and Engels have been eliminated from lessons. But while Lenin may have disappeared from the classroom walls, the structure of the Polish educational system Itself remains essentially unchanged.

Politics determined the shape of the system in the past, and politics continue to shape the reform of the system even now. The Polish parliament contains fewer than a dozen lawyers but more than five dozen teachers, most of wbom are members of lbe ZNP, the former communist Polish Taachers' Union. Together with workers from the health services, whose salaries also come out of the central budget, teachers form the largest pressure group in parliament.

On the ground, teachers also represent a large source of votes for the former communists and communist allies who now lead Poland's ruling coalition. For four years, however, the teachers' unions have also been in the forefront of resistance to change, economic and otherwise.

Not that anyone outside the teaching profession doubts the need for educational reforms. A World Bank report on Polish education, publisbed in June 1993, found irrelevant vocational programmes, serious shortages of foreign language teachers and a lack of technical and computer literacy. It concluded that "failure to increase [secondary educalion's] relevance and to improve ils cost-effectiveness . . . will constrain lhe capacity of enterprises and individuals to adjust to their new economic environment."

Warsaw University: classes are notoriously overcrowded and academic pay is very low

Picture: Anthony Robinson

Expenditure on education is declining in Poland, from 4.6 per cent of GDP in 1990, to 3.1 per cent in 1992, well below the average of about 5 per cent of GDP spenl in most west European countries. Yet reduction of financing has not been accompanied by better management. Polish schools have run up higb debts, and although theoretically free, often require parental funding to stay afloat. This is true nol only of the 600 or so new private and non-profit scbools which have appeared since 1989, but of most ordinary primary and secondary schools as well.

Teacbers lhemselves are a particular problem. About 10 per cent of Polish teachers do not have a university education, while others teach subjects (most notably the Russian language) which are no longer required. The ministry of education estimates that al least half are under-qualified and in some subjects – chemistry, for example – the figure is closer to 75 per cent. Yet university classes are notoriously overcrowded, and academic pay is so low that Andrzej Siemaszko, a professor of sociology at Warsaw University, believes thal within a few years, universities may find it impossible to employ anyone. Mr Siemaszko, who supplements his own salary by playing the new stock market in Warsaw, said that "no professors here can afford to work for the university alone".

Polisb primary and secondary school teachers work unusually short hours (on average, 18 hours a week) but are paid to match: last year, the average secondary school teacher earned a monthly salary of 3.7m zlotys ($170). To solve this problem, the former governmenl of Prime Minister Hanna Suchocka published a reform programme in 1993 which called for teachers to obtain higher qualifications, to work 40 hours a week, and to receive higher pay as well.

That proposal was heavily criticised by the ZNP, which believed, probahly rightly, thal such a change would make many teachers redundant. Asked receotly whether the union would agree to longer hours and higher standards, Jan Zaciura, the chairman of the ZNP, replied that the union would not, because "that would be a revolution. Besides, law cannot work retroactively." By that, he meant thal those teachers who are now irrelevant or under-qualified should not be threatened with the loss of their jobs.

The union has also opposed attempts to decentralise education – to hand responsibility for financing over to local government, for example – on the grounds that such a change would weaken the strength of the union. About a quarter of schools are financed hy gminy (local governments); during a nationwide teachers' strike last May, only teachers from centrally-funded schools stayed away, while teachers in locally-funded schools refused to join.

While lt has not, so far, bowed to the demands of its electorate in other spheres, the government appears prepared to do so in the field of education. Aleksander Luczak, the new minister of education, has not openly reversed the Suchocka government programme, but sources in the ministry say that he does not intend to fight the ZNP. Already, about 10 per cenl of the ministry employees hired by past Solidarity governments have been made redundant, including at least one of the authors of the Suchocka government programme.

**Anne Applebaum**

■ LABOUR AND SOCIAL POLICY

# Easing the pain of reform

Sonth Africa's finance minister Derek Keys likes to describe himself as "the minister of the bloody obvions". His main job is to explain the limits and the economic costs of demands from newly-enfranchised Blacks for social and economic reforms.

Mr Leszek Miller, the former communist apparatchik wbo now finds himself in a similar hot seat as Poland's minister for labour and social affairs, sees his role as "the minister for keeping the pain of economic transformation within tolerable limits".

The South African has a snappier one-liner, but the two men are clearly tackling the same problem, albeit from opposing angles. The problem is how to persuade eoough people to accept only minimal improvements in their immediate living standards to allow reforms and iovestmeot tbe time needed to dellver the higher employment, better pay and improved services voters really want now.

Mr Miller is locky on two counts. Although the reversal of political fortunes has put the 2m-strong Solidarity Union, with its traditioo of militant antl-commnnlsm, back in opposition to the government, the union is weak in the fast-growing private sector where much of the new wealth and most of Poland's new jobs are heing created. Its old power base in the mines, railways, shipyards and big factories has been eroded by unemployment, and faces further rednction with the onward march of privatisation.

Second, Mr Miller has an ally in Mrs Ewa Spychalska, the former Solidarity unionist who switched to become the leader of the rival OPZZ union, which was built up by the communists in the 1980s to counter the power and influence of the then 10m-strong Solidarity anti-communist alliance of workers, intellectuals and the Catholic church.

The OPZZ has more than 70 depnties in the new parliament, making it the second largest faction in the governing SLD party after the Social Democrats led by Alexander Kwasniewski. Mrs Spychalska is one of the most influential deputies. Her view is that "the bulk of Polish society decided in favour of systemic change in 1989 and lhe unions were part of that decision. As for capitalism, it has many forms and we look at developed capitalist systems with interest and hope".

Mr Miller conveys the same sentiments, bnt in a different way. "Experieoce has shown that the famoos dehate between the revolntionary Lenin and the evolntionary Kautski has been settled in favour of the latter," he says hluntly.

He is anxious to dispel any suspicion that the election led in any way to a restoration of the old system, although a fair proportion of the backbench MPs elected on the SLD ticket and many of their voters, still banker for the good old days wheo security was ahsolute, mediocrity was a virtue and laziness came with the joh.

Bnt his roots in working class Lodz, a depressed textile town making valiant efforts to revitalise itself, give Mr Miller a shrewd idea of what the voters wbo put the left back into power will stand. "If Poles feel that the cost of transformation is too high, or too unfair, society will reject market reforms. So it is up to us to protect the cootinoatioo of market reforms hy making sure that these costs are bearable."

As for fairness, Mr Miller backed down from his controversial proposal to fund higher social spending by imposing a small tax on share transactions in deference to the wider government objective of earning much greater revenue, by selling off state shareholdings through the stock exchange at the highest possible price.

Ewa Spychalska: one of the most influential deputies

That's pragmatism. But the share tax idea is likely to return, as is another of Mr Miller's ideas – that any above hodget reveoue arisiog from faster economic growth should at least be partly allocated to higher spending on health, educatioo aod pesioos and targeted oo the poorest and most helpless parts of society.

At the same time, however, Mr Miller also supports plans, inherited largely from the previous Solidarity governments, for structural reforms which involve the creatioo of self-financing, contributory oational insurance and national health systems which will take the strain off future budgets.

"Great social reforms are ahead of us in the benefit system, including health and social security. Every reform will hurt somebody's interest and we certainly don't expect any standing ovations. The paradox of Poland is that it is a leftist government which now has to take on such tasks," he sighs.

**Anthony Robinson**


Unemployed unionists demonstrate outside parliament

Anthony Robinson

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MEDIA

■ PUBLISHING

# The press goes private

By a quirk of politics and history, newspaper publishing has become the most fully privatised Polish industry. Newspaper publishing, not steel or glass or cement, is an industry where all the principal companies already possess a foreign shareholder.

It is also an influential industry. In a survey of reading habits, 90 per cent of Poles claimed that they read a daily newspaper at least some of the time, and 68 per cent claimed that they bought at least one weekly.

The explanation for the print media's high level of privatisation can be traced to 1990, when Poland's first non-communist prime minister, Tadeusz Mazowiecki, signed a law dissolving RSW Prasa, the press monopoly which controlled the printing and the content of Polish newspapers.

The law was passed quickly, for political reasons: RSW Prasa was a hated symbol of the old regime.

The RSW liquidation law was much criticised at the time, since it did not always change the ownership of newspapers fairly or successfully.

Most provincial newspapers were quickly signed over to "worker-management" groups made up of journalists and editors; other papers were sold by auction to the highest bidder. Robert Hersant, the French owner of Le Figaro, bought shares in seven provincial titles, and paid $2m for a 49 per cent stake in Rzeczpospolita, one of the two quality dailies with a national circulation.

Other foreign investors include Swiss, Swedish, and American companies. Nikola Grauso, a Sardinian entrepreneur, bought 55 per cent of Zycie Warszawy, a Warsaw regional daily. German companies such as Heinrich Bauer Verlag and Jahr Verlag have entered magazine publishing, and the former tennis star and entrepreneur, Wojciech Fibak, owns shares in several provincial papers and magazines.

Since then, only one national newspaper start-up has been significantly successful – Gazeta Wyborcza, a daily which claims a circulation of 400,000. Its roots lie in the former dissident movement and its founding editor, Adam Michnik, was a corruscating critic of the old regime.

One or two regional start-ups, including the right-of-centre Czas, a Krakow paper, have also proved successful. So has Nie, a satirical weekly whose editor, Jerzy Urban, is a former communist party spokesman.

With these exceptions, Polish readers have proved remarkably conservative, preferring to buy familiar titles rather than new ones. A series of spectacular failures have deterred others. These include an unsuccessful attempt, backed by the Polish-American Enterprise Fund, to publish a daily along the lines of USA Today.

This conservatism has until now mostly worked in favour of the provincial press. Grzegorz Lindenberg, the former publisher of Gazeta Wyborcza who now edits and publishes a tabloid, Super Express, estimates that 2.5m Poles buy regional newspapers every day.

"Most journalists who work for local papers are connected to the old regime," he said. Some speculate that the influence of the provincial press may have helped bring to power the present government, whose leaders come from the former communist party and its allies.

Gazeta Wyborcza and Rzeczpospolita, the two quality dailies with a large national circulation, have quite different political orientations. Gazeta Wyborcza is closely linked to the group of centre-left dissidents who helped to form the first post-communist government. One of the first newspapers in Poland to start aggressively pursuing advertisers and to include attractions such as a weekend colour supplement, Gazeta Wyborcza has in the past year lost about 10 per cent of its circulation. Many of its readers defected to Rzeczpospolita, whose circulation has jumped from 250,000 at the start of 1993 to 324,000 in February 1994, and which cleared about $3m profit last year.

The paper's editor, Dariusz Fikus, attributes this jump to a more efficient regional distribution network, and to the rapid rise of Warsaw's stock market. "With up to 400,000 people now playing the stock market, more people want to read our financial and economic supplements," he said. Others believe Poles are now more attracted by the impression of neutrality and solidity, and are less interested in reading an overtly politicised newspaper.

If newspapers are heading towards greater objectivity in Poland, they are also heading towards higher technology. Both national papers have also been the beneficiaries of a technological revolution.

Four years ago, Polish journalists wrote on typewriters. Now, with the help of capital coming from foreign investors, Gazeta Wyborcza and Rzeczpospolita have skipped intermediate stages, and moved on to very advanced computer systems.

At Rzeczpospolita, all reporters have laptop computers and modems, which is more than many of their counterparts in western Europe are given. Gazeta Wyborcza has 1,015 computers, 350 of which are linked in a network. Most of the leading newspapers have also purchased or leased new printing plants, and some are planning to move into colour printing.

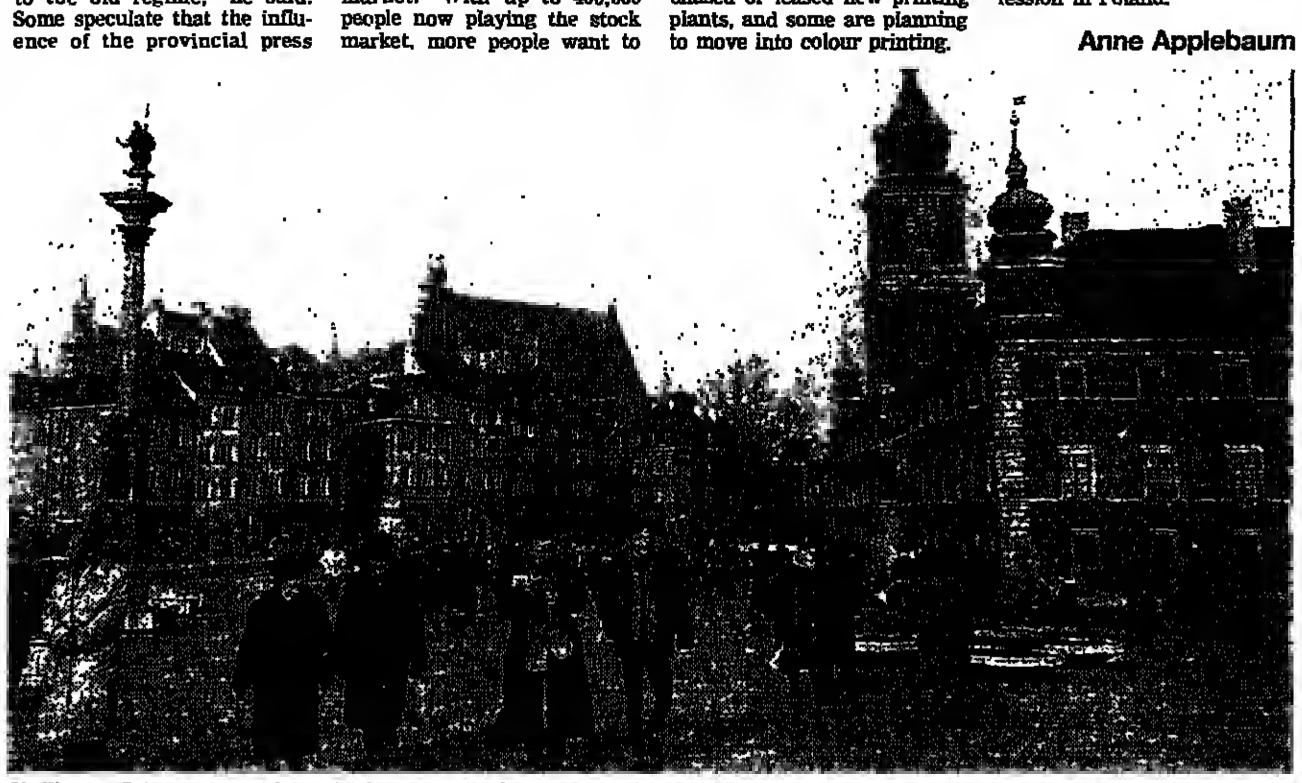
What none of the Polish newspapers yet has is the kind of clout enjoyed by the western press. "The Polish press is still not in the position to force the political class to do anything," said Mr Lindenberg. Much of the political weakness of the press is blamed on journalists trained in the communist era, not all of whom have been certain of the difference between rumour and news.

Because the press is not thought to tell the truth, press revelations of bribery scandals and financial skulduggery have yet to force a politician to resign.

"Not all of us have learned that we must always write what is true, and that if we do not, we must pay high costs," said Mr Fikus.

The Polish libel law is still weak; although there have been several high-profile libel cases, no leading newspaper has yet been forced to make a large payment to a victim of libel. Until that happens, an air of mistrust will continue to hang over the journalistic profession in Poland.

**Anne Applebaum**



Old Warsaw: Poles have proved remarkably conservative in their reading habits, preferring familiar titles Anthony Robinson

■ TELEVISION

# Airwaves hit by a storm of criticism

Poland's attempt to establish an independent commercial television channel has run into a storm, confirming the special place politicians continue to accord the medium.

Neither the granting of national broadcast licences to two private radio companies, the Warsaw-based Radio Zet and RMF from Krakow, nor growing concentration in newspaper ownership, seem to attract as much emotion and attention as recent appointments in state-owned television or the granting of the national commercial television licence to Polsat.

Polsat is wholly-owned by Mr Zygmunt Solorz, a 38-year-old entrepreneur from Wroclaw, in south-western Poland. He won the licence in the face of competition from several mixed Polish and foreign consortia.

These consortia inclnded Bertelsmann, CLT, the Luxembourg-based European hroadcaster as well as CNN and Time Warner. But almost as soon as the decision was announced by the nine-strong National Broadcasting Council, it was criticised.

Most prominently, it was attacked hy President Lech Walesa, who dismissed Mr Marek Markiewicz as chairman of the council which was appointed last year by tha previous Solidarity-dominated parliament and the president to oversee the airwaves under the country's new broadcasting law.

Mr Walesa would have happily removed Mr Markiewicz from the council itself if he had had the power to do so.

Mr Markiewicz had already run foul of the president late last year when he appointed Mr Wieslaw Walendziak, an even-handed journalist in his early thirties with a right-wing background, to head Poland's state-owned TV.

Mr Walesa had wanted Mr Janusz Zaorski, the incumbent, to continue in the job. He was seen as a guarantee that the president would get his fair share of TV coverage during the presidential election campaign in the autumn of 1995.

But Polsat, where Mr Solorz employs both former communist functionaries and young right-wing journalists of whom Mr Walendziak was one, is also mistrusted by President Walesa, who has publicly accused Mr Markiewicz of "giving the licence to the communists".

The governing coalition, which is at present poorly represented on the council has, stayed aloof from the fray. But it could be tempted in the coming months to pack it with its own supporters.

In the meantime, President Walesa's attempts to undermina the council and have the Polsat decision reversed are being eagerly watched by the losing consortia in the licensing process.

**The government, which is poorly represented on the council, has stayed aloof from the fray. But it could be tempted to pack it with its own supporters**

They feel tricked hy Mr Solorz, who made great play in public hearings on the licence that his was a solely Polish-owned venture, a ploy which helped win a consensus for his bid among the council members.

Now Mr Solorz says he is talking to many foreign broadcasting companies, which are thought to include Mr Rupert Murdoch's News International, and it could well be that, sooner or later, one will take np the 33 per cent stake which Polish law permits a foreign partner to hold in a broadcasting venture.

Polsat's competitors also argue that as things stand at present Mr Solorz does not have the financial resources or the expertise to run the channel.

Because of problems with wresting frequencies from the military, for the first few years the channel will be able to reach only 12m viewers, or a third of the potential Polisb audience.

But if Polsat faces considerable political uncertainty, the financial problems could be just as great. The Broadcasting Council has imposed very tight rules demanding that Polsat put out locally-made programmes and information programmes. This will increase costs. The council will also have the final say on Mr Solorz's eventual choice of foreign partner.

Meanwhile, the lion's share of the $130m annual advertising market will continue to go to state TV, with its two channels whicb cover the entire country. At the same time Mr Solorz, whose company is capitalised at a mere 250bn zlotys, has been bound by the council to increase its capital to 500bn zlotys and then to 1,000bn zlotys before looking abroad for financial support.

Given initially low revenues and the political uncertainty surrounding the licensing decision, that could prove difficult.

The storm also threatens to cloud the chances of tbe French Canal Plus pay TV company to which the Broadcasting Council has said it will give local licences. The French company's offer proved non-controversial and will not have to depend on a still-to-be-developed advertising market for its revenues.

But Mr Richard Miazek, one of the council's members, has already resigned, complaining of stress. Others could follow. Parliament is due to vote on the council's annual repnrt next month.

Sbould this be rejected by parliament, the council will have to resign and that would give the present governing coalition the chance to appoint its own supporters. Presumably the process would then start all over again.

**Christopher Bobinski**

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POLITICS

**Anthony Robinson** analyses the extraordinary turnaround in the thinking of former communists

# The electoral wheel turns full circle

"Poland's fate for so long was to be in the slipstream of history, lagging behind developments elsewhere. But the "rouud-table" talks of 1989, which led to the first post-communist government in eastern Europe, and the economic reforms introduced by Leszek Balcerowicz [finance minister] in 1990 put Poland in the vanguard of history. We have to build on these achievements and move forward."

The words of Alexander Kwasniewski, the former communist turned social democrat who is now the driving force behind the Democratic Left Alliance (SLD), Poland's largest political party, reflect an extraordinary turnaround in Polish politics.

Five years ago Mr Kwasniewski was one of the communist party's top negotiators, seeking to entrench communist power through a compromise with Lech Walesa, Tadeusz Mazowiecki, Adam Michnik, Bronislaw Geremek and other Solidarity movement leaders.

The outcome of these round-table talks was a deal which ended the communists' post-war monopoly of power, but limited non-communist parties to only 35 per cent of seats in the lower house of the Polish parliament, the Sejm.

*Both sides failed* to foresee that given the first chance in more than half a century to vent their spleen, voters would give Solidarity an overwhelming moral victory by sweeping its candidates into each of the allotted 35 per cent of Sejm seats and all the 100 freely-elected senate seats.

As a result, by autumn 1989, Poland had the first non-communist government in the former Soviet bloc. On January 1, 1990, Leszek Balcerowicz, the new government's ascetic finance minister, devalued the zloty and made it internally convertihle. He also swept away a raft of communist-style consumer and producer subsidies and launched Poland on a brave and unprecedented experiment in liberal, free market economics.

Those reforms opened up entirely new perspectives for the development of Polish society and the Polish economy. But Solidarity proved inept at selling its achievements or in softening the impact of reforms on the unemployed and on millions of workers for whom the market economy translated into harder work, lower wages, social insecurity, a fast growing gap between rich and poor and rising crime.

At last September's general elections the electoral wheel came full circle. Voters swept the former communists of the Democratic Left Alliance (SLD) into first place with 171 seats in the 460-seat Sejm, followed by the Peasants Party (PSL) with 131 seats. The Democratic Union (UD), the mainstream Solidarity party, limped in third with 74 seats followed by the intellectual left-wing Solidarity-linked Union of Labour (UP).

The votes of over 30 per cent of the electorate were neutralised by new electoral rules which introduced a 5 per cent minimum threshold for entry into the new parliament. A raft of right-wing and church-linked Christian parties failed to jump this hurdle. Only the right-wing nationalist Confederation for an Independent Poland (KPN) with 21 seats and President Walesa's so-called non-party reform movement (BBWR) with 16 seats, scraped into the new Sejm.

Significantly, in his first important post-election speech Mr Kwasniewski, leader of the main social democratic faction of the SLD, publicly apologised to Poles for the misdeeds of the 45-year, post-war communist regime. He openly acknowledged the achievements of the Solidarity-based governments as gains for Polish society as a whole.

To sceptics, Mr Kwasniewski's magnanimity in victory was the mark of a cynical *apparatchik*. To others it looked like the gesture of a smart and far-sighted politician laying the groundwork for a future alliance with the intellectual and moral leaders of Solidarity.

Such a "historic compromise" is not yet on the political horizon, although both the SLD and the PSL toyed with such a hypothesis before reluctantly concluding that the post-electoral political arithmetic left little alternative but to form an SLD-PSL coalition government.

Moment of transition: former communist leaders Leszek Miller, Mieczyslaw Rakowski and Alexander Kwasniewski celebrate their conversion to social democracy four years ago

Numarically tha government, which is presided over by the peasant party leader, 34-year-old Waldemar Pawlak, the prime minister, is strongly based. It controls over two-thirds of the seats in parliament and has the power to draft a new constitution. In theory, it could last out a full parliamentary term, unlike all previous post-communist governments which fell after a few months in power.

Legislation now passes the once fractious parliament virtually on the nod, a hig change from the endless debates followed by cliff-hanging votes which characterised previous parliaments.

But the two partners make an odd coupla. Tha government looks like a miserable marriage of convenience, with little love or mutual respect between its two very different political components.

The thinly disguised internal tensions hurst into the open in January when the prime minister summarily dismissed Mr Stefan Kowalec, the deputy-finance minister. He was held responsibls for the embarrassing "success" of the flotation of Bank Slaski, whose shares soared up to 13 times their issue price at their dehut on the Warsaw Stock Exchange.

The "scandal" deepened when it emerged that few, aside from lucky bank employees, had been able to register their shares in time to actually sell them at the initial high price. Unconfirmed rumours swept town of a "swindlers' list" of politicians and others who had been able to buy and dispose of shares at favourable rates.

With hindsight the shares were sold too cbeaply and listed prematurely. But that did not seem the case during the long and difficult months when the privatisation authorities were desperately seeking a foreign bank to buy a minority share and were unsure of the public's appatite for bank shares.

Mr Kowalec, a technocrat brought in by Mr Balcerowicz back in 1989, was slatad to become the "fall man for the mistake. But the expectation was that he would be sacked hy Mr Marek Borowski, the SLD finance minister, not the prime minister.

The affair rapidly became a power struggle between the prime minister and Mr Kwasniewski who holds no ministerial post but is widaly perceived as the real power behind the throne.

The culmination came when Mr Borowski sought both to re-affirm his control over the appointment of his deputy and concentrate economic decision-making generally in his hands. He offered to resign if his demands were not met. Mr Pawlak, whose main aim was to underline that be was *de facto* as well as *de jure* head of the government, called his bluff and Mr Borowski resigned.

The shock move badly wrong-footed Mr Kwasniewski who hitherto had treated Mr Pawlak as a political lightweight. It also cast new light on the role played by Mr Michal Strak, the deceptively relaxed and jovial head of the cabinet office who is the main strategist hehind the PSL.

"After the elections there was a widespread perception that Poland had a one-party government again. That was wrong. But now people talk of irreconcilable differences between the government partners and that's not true either," says Mr Strak. "There is no alternative to this coalition and that creates a framework for the governmant to carry on," he adds.

Mr Strak is adamant that the prime minister, who is popular among his farming and small-town constituents but looked down upon as an inarticulate humpkin hy political salon Warsaw, will continue to use his premiership to lead tbe government.

Mr Pawlak's own priority is to ensure that government policies favourably impact on his party's rural constituents. "It is better to provide farmers with $50 of cheap credit than throw them off the land and have to find $500 for unemployment pay," he says. "With 15 per cent of Poles already unemployed we have to encourage those who are working and maintaining their families," he adds.

For a government with such a clear parliamentary majority its peasant party component has curiously unamhitious long-term plans. "Previous governments were reformist governments. We don't consider ourselves as reformers. Our task is to deal with problems as they arise and above all to make the machinery of government more efficient," says Mr Strak.

The idea of modest government is attractive to many after the turmoil of the last five years, particularly if a period of calm permits the further development of civil society, a stronger role for local governments and the sort of prosperity which allows the development of a stable middle class.

But there are several clouds on the borizon, including the shift hack to authoritarian nationalism in Russia, a looming parliamentary conflict over the proposed Concordat with the Vatican and the presidential elections scheduled for 1995. The latter is already casting a shadow over contemporary politics as President Lech Walesa manoeuvres for support after coming to the conclusion that his main potential rival is none other than Mr Kwasniewski himself.

FOREIGN POLICY

## Integration remains the goal

Twice in 200 years, Poland has disappeared from the map of modern Europe. The first time followed its partition between Russia, Prussia and Austria at the end of the 18th century. The second calamity occurred in 1939 when Poland was carved up between Nazi Germany and Stalin's Soviet Union.

Such a history inevitably leaves tranmatic memories, and conditions the basic aims of Polish foreign policy. These are the prevention of any future risk of isolation, hy integrating Poland into European economic and security structures to the west, and the cultivation of close economic as well as political links with its neighbours to the east.

Until two years ago Poland's eastern neighbour was a monolithic Soviet Union. Now, apart from a short common border with the Russian enclave of Kaliningrad, it is separated from Russia by the Baltic states, Belarns and Ukraine.

Poland's foreign minister, Mr Andrzej Olechowski, is ideally placed to operate on both the western and eastern fronts of diplomacy. A former central banker, who worked for years at the World Bank in Washington, he was in charge of negotiations with the European Community which led to Poland's association agreement with the EU.

He knows the nit-picking reality behind the EU's fine words about need for greater European integration. He also knows that the main obstacle to the entry of Poland and other central European states into an enlarged EU is the Common Agricultural Policy.

At the same time, his experience at the centre of economic and financial decision-making during Poland's economic transformation equips him with an understanding of the problems facing Russia, and even more so Ukraine.

Poland's worries about the east are not military. The Russian army is demoralised and pre-occupied. Vladimir Zhirinovsky, the chauvinist victor of December's Russian elections, is a worrying symbol of hurt pride and the darker side of the Russian psyche, bnt not a new Stalin.

Poland's worry, shared by its central European partners, is of de-stabilising flows of refugees and criminals rom the east. A still distant nightmare is the danger of conflict between Russia and Ukraine.

Ideally, Poland would like to be under the security umbrella of full Nato membership, hut has accepted for the time being the half-way house of the partnership for peace. But when Mr Andrei Kozyrev visited Warsaw as part of his European tour last month security matters took up only a tiny portion of their talks.

Instead, the Poles put forward a 26-point proposal for closer economic and financial co-operation, not on the old state to state basis, but mainly between private business people on both sides.

Anthony Robinson

**Christopher Bobinski** on Solidarity's position after the election shock

# Out of defeat, a new purpose

The defeat last autumn of Poland's Solidarity-rooted coalition government by parties with a communist past has given the 2m-strong Solidarity Trade Union a new lease of life.

At last the movement, which proudly carries the mantle of its legendary anti-communist struggles, has regained a sense of purpose. The Solidarity Union failed to get any MPs into the powerful lower chamber of parliament and this defeat shocked it into refocusing its future as a trade union rather than as a stand-alone political movement.

Mr Marian Krzaklewski, a 43-year-old computer designer from the Academy of Sciences in the industrial district of Silesia has led Solidarity since Lech Walesa left his former power base to become the President of Poland in 1992 has learned the lesson well.

Talking in Solidarity's Gdansk headquarters, only 500 metres from the shipyard where an 18-day strike won trade union rights for workers in 1980, he stubbornly avoids being drawn on the political implications of Solidarity's present militant stance.

Instead, supported by matter-of-fact officials, Mr Krzaklewski prefers to stick to Solidarity's demands. Above all the union wants the government to honour the pledge made by its Solidarity-based predecessor that real incomes will grow in line with GDP and that more money be spent on fighting unemployment.

Clad in Solidarity's traditional dress of jeans and jumper, long discarded for suits and ties by those of the movement's leaders and supporters who over the past five years have gone into government or business, Mr Krzaklewski is obviously a man under a great deal of pressure.

Talking fast he reaches repeatedly for pencil and paper to illustrate his points as he emphatically rebuts critics in the government and the media who see the union's stance as dangerously populist and risks opening the floodgates of inflation. At the same time he knows he is leading a movement whose increasingly impatient membership has experienced annual falls in real wages since 1990 and wants the trend reversed.

"The last government led by Ms Hanna Suchocka promised us that real incomes would grow by half the rate of increase of GDP," he says reaching into his files to show an agreement signed after a three-week strike in the Silesian coal mines in January 1993. "But real wages fell by 3 per cent last year while GDP grew by 4 per cent." That alone would have been enough "in Germany, Spain or Italy for a general strike", he adds.

This year people will settle for zero growth in real incomes but not a further fall, he concedes as he prepares to follow up the demonstration by 30,000 Solidarity supporters in Warsaw last month with a campaign of selective strikes designed to force changes in government policies. But, bitterly, Mr Krzaklewski admits that it was the previous government which failed to stick to its promises on incomes which last summer prompted Solidarity, then represented in parliament, to put the motion of no confidence which led to Ms Suchocka's downfall.

But the present administration has also been in no hurry to inaugurate a standing trilateral committee of government employers and unions which was agreed with Ms Suchocka last spring to seek consensus on economic policy.

The committee, which is central to Mr Krzaklewski's hopes of establishing a stable "system" of consultstion, was set set up only last month after work on the stringent 1994 budget was virtually complete. Solidarity's main tactical aim now is to press for an easing of this year's planned 28 per cent price rise for electricity and 60 per cent for central heating.

The union also wants income tax thresholds raised and wage controls removed to enahle real wages to rise this year.

Mr Krzaklewski insists that he is not asking for this year's 83,000bn zloty budget deficit to be increased. "There is quite enough money for alleviating social needs in tbe present budget," he says. "The problem is that it's been spent wastefully up till now and hasn't gone to those who really need support."

Solidarity also wants the present government to put throngh legislation enabling collective wage bargaining to go ahead at both the national and shop floor levels. This is another subject, central to Solidarity's strategy, on which the previous government dragged its heels. At present the only statutory obligation on employers is to pay a minimum wage which was set at a 1.8m zlotys a month last October.

Mr Krzaklewski argues that a system of collective wage bargaining would help the government and tbe union to decentralise conflicts. More crucially, from the union's point of view, it would also provide a way into the private sector where Solidarity is sorely under-represented.

Mr Krzaklewski says be is not engaged in a crusade against the government because of its communist roots and can live with it, provided it is able to deliver higher living standards. But he does not like the "post-communists", as he calls them, and stresses that "if they were to start infringing human rights then Solidarity would have to react".

The question that Mr Krzaklewski leaves unanswered, is what happens if industrial discontent grows in Poland to such an extent that the government's position is threatened. Who would Solidarity support then? The former Solidarity-linked parties now in opposition, or President Walesa, the historic flag bearer of militant Polish unionism who is gearing up for re-election in 1995? Time will tell.

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## INDUSTRY

The 17,000 workers who pour through the arched gates of the the Nowa Hnta steelworks each day have one pressing question: how many of them will keep their jobs. Ten years ago *the plant*, which sprawls over 10 square kilometres near Krakow, employed 35,000 people.

But now production levels have been cut by two thirds. Like the rest of the Polish steel industry, Nowa Huta will spend the next few years fighting for survival. If it succeeds, its managers expect it will employ only 8,000 people.

According to a Polish government assessment of the future of the steel industry last autumn, "without restructuring the domestic market could be lost and most Polish steel mills will be threatened by bankruptcy".

Tbe cballenge facing the industry is that the type and amount of steel produced in the past were largely geared to the needs of the Soviet Union. That demand has now collapsed, together with much of the requirements from Polish industry.

As a result, production of crude steel slumped from a peak of 20m tonnes a year in the early 1980s to 9.8m tonnes in 1992. With the gradual economic recovery, total steel production picked up sbghtly last year, and the industry ministry expects it to reach 11m tonnes this year. Steelmakers can also look forward to a longer-term increase in demand from the huge task of modernising Poland's infrastructure and industry.

But to gain a share of that market, Poland's 26 steel mills, 18 of which were built before the first world war, will have to cut costs and capacity, and then modernise. On the back of a study commissioned from a Canadian consortium including coosultants Ernst & Young, the government estimates that no more than 11.7m tonnes a year of liquid steel capacity is needed, even allowing for an upsurge in domestic demand.

"Past construction booms only took about 2m tonnes a year," says Mr Wiktor Laszczyk, adviser on steel at the ministry of industry. "And a quarter of our steel used to be exported, almost entirely to the Soviet Union – those markets have gone."

The government also wants continuous casting, an energy-efficient means of production and an international barometer of the level of modernisation, to rise from 8 per cent to 75 per cent of production. Energy-inefficient open hearth furnaces also need to be replaced by oxygen furnaces, and mills which produce semi-finished steel need to invest in processing of finished products, it says.

As well as cutting raw material and electricity costs, those changes will curb some of the pollution belcbed out by the steel works - they are some of tha largest emitters of nitrogen oxides and sulphur dioxide in Poland.

But some of the implications of restructuring have been more controversial, in particular the Canadian Consortium's argument that at least six mills should close.

Estimates also suggest that employment might have to fall from 147,000 to 43,000, although half the people affected might be transfered to newly-formed service and engineering companies.

Instead of complete closure of mills, the government has tended to recommend scaling down and sometimes merger. In Nowa Huta's case, restructuring may mean merger with the rival giant steel works Huta Katowice to improve production of sheet steel, the government has suggested.

According to the industry ministry, the investment needed to achieve the industry's transformation runs to some $4bn to $5bn, $1.8bn in capital costs and the rest in redundancy payments and management changes.

Mr Laszczyk insists, though, that "the mills will have to find the money for restructuring. The General Agreement on Tariffs and Trade prevents us giving subsidies".

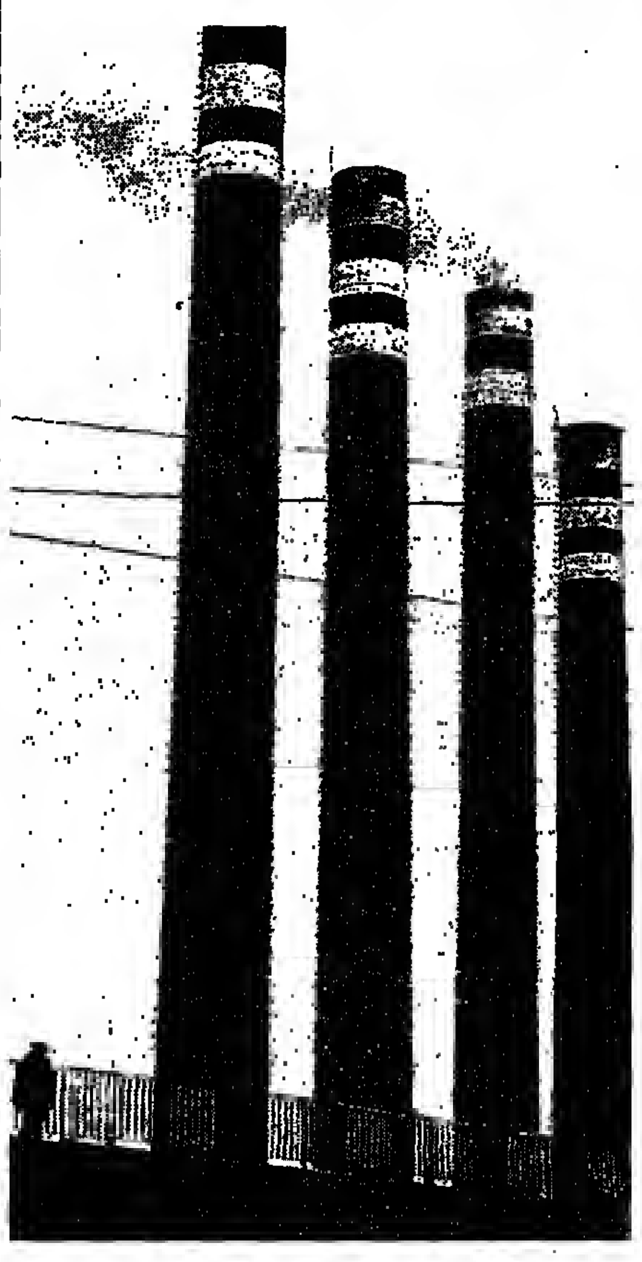
The money will have to come from the mills' own resources or from foreign credits, he said, although the government has indicated it may be prepared to guarantee foreign credits, as it has done at Nowa Huta and Huta Katowice.

It will also press ahead with setting up mills as stand-alone companies, prior to privatisation.

The price of failure, if the Polisb steel industry fails to make this transformation, is that Poland would have to find some $4bn to $5bn a year in foreign currency to pay for steel imports.

"The government will not allow liquidation of the industry to happen as we could not fill that gap in foreign trade," according to Mr Laszczyk. "I am sure, therefore, that the industry will survive." The steps the industry takes in the next few years in its scramble towards moderoisation will determine whether that prediction comes true.

**Bronwen Maddox**



High profile in Chorzow: the demand for steel has now collapsed

# How to pick a winner

If you were trying to pick a winner in the rapidly-changing Polish steel industry, how would you go about it?

That was the question facing Air Products, a manufacturer of oxygen and other industrial gases with a $3bn turnover worldwide, trying to make its first large investment in Poland.

Air Products wanted to find a steel mill that was certain to survive the shake-out in the industry, to which it could supply oxygen. The use of oxygen instead of air in steel manufacture greatly improves the efficiency, as well as reducing environmentally harmful emissions.

This is exactly the kind of investment which Polish mills will need if they are to survive the transformation under way in the industry. The government is adamant that it cannot contribute to the spending.

But "we had to be pretty sure the partner was viable", according to Mr Andrzej Zakrzewski, Air Products' business manager for Poland. The whole of the group's investment would be dependent on that one customer.

Air Products' choice was the Huta-Zawiercie steelworks near Katowice, which makes steel from scrap steel. In November, Air Products opened its two oxygen plants, supplying 100 tonnes a day, which cost DM14m.

According to Mr Zakrzewski, it suited both parties for Air Products to carry the capital cost of building the plant. "We get a fair return for the risk" through the price at which oxygen is sold to the steelworks, he said.

The group was also keen to avoid complications of property rights and historic environmental liabilities by building the plant on the Huta-Zawiercie site, rather than buying a site of its own.

The factors that tipped the balance in the investment decision were the strides that Huta-Zawiercie has made in recent years. According to Mr Jozef Lotko, technical director of Huta Zawiercie, the capacity of the furnaces has nearly doubled since the 1970s, and it has installed continuous casting technology.

The mill has also cut jobs from 6,300 to 4,300. It expects eventually to have only about 1,500 as maintenance and engineering activities are hived off as separate businesses.

However, since Air Products' original expression of interest, the mill has had problems. Mr Lotko says that the first quarter of 1993 saw constant stoppages because of lack of scrap steel, and the mill made losses.

The mill has now returned to profit. But Mr Zakrzewski emphasises that Air Products received no guarantees from the government about the mill's future. "In the end we made an act of faith," he says.

**Bronwen Maddox**

■ COAL

# Pits face difficult challenge

Three bundred metres below the surface of the Silesian hills, and four kilometres along dark, dripping tunnels from the main shaft of the Janina mine near Katowice, Mr Jerzy Poniewski, senior engineer, is adamant that his son will not be following him into a career down the pit. "He speaks German and English and is going to medical scbcol. He doesn't want to be a miner – there are no prospects".

Nevertheless, if Polish coal mining bas a profitable future, the face of it is probably the Janina mine. Mr Poniewski and his colleagues have hauled Janina back from the brink of bankruptcy in June 1990, by a programme of modernisation and job cuts yet to be undertaken by most of the industry. "It was a question of life and death," says Mr Tadeusz Gruber, the mine's deputy-director.

Restructuring the coal industry is one of the most difficult challenges facing the Polish economy. Poland remaina highly dependent on hard coal, whicb supplies two thirds of electricity generation and more than three quarters of industrial and honsebold heating. Lignite provides another 14 per cent of primary energy consumption.

With an estimated 65bn tonnes of reserves, a third of wbicb are being actively mined, Poland also has some of the richest deposits in Europe. There are geological handicaps – methane gas in some, underground water in many, as in the Janina mine – but much of the coal has low sulphur content and is close to the surface compared to that in the UK.

**With an estimated 65bn tonnes of reserves, Poland has some of Europe's richest deposits**

In theory, it is an industry whicb should bave little problem attracting outside investment. The World Bank, in a survey of the industry, has recommended a continuing central role for coal production in the economy – provided that restructuring takes place.

However, the present financial position of the 70 mines in Upper and Lower Silesia and Lublin is precarious. Of the pits, which were reorganised last spring into seven corporations, seven have been listed for closure. Production has slumped from a peak of just under 200m tonnes in 1979 to about 130m tonnes last year, largely because of the collapse in industrial demand for electricity and beating.

In December 1993, the mines' liabilities exceeded their receivables – money owing to them – by 32,000bn zlotys, according to Mr Eugeniusz Pawetczyk, vice-president of the State Coal Agency, which was responsible for the mines until last year.

The government and industry analysts are clear that jobs need to be shed to bring the industry firmly into profit. According to the State Coal Agency, the 305,000 employees in the hard coal mines in December 1993 (exclnding those working in lignite mining) represented a fall of 25,000 in the year.

"We need more cuts – half of the current total is our aim," says Mr Pawetczyk. He expects that the reduction this year will be some 32,000, although 25,000 of that will be achieved by natural wastage and separation of service and engineering companies.

Ministars are concerned, bowever, that cuts on that scale could be politically explosive. The Janina mine is still the largest employer in its district, and is directly responsible for the housing of 1,300 families. The miners earn an average of 4m zlotys to 5m zlotys a month, well above the industrial average of 3m zlotys to 4m zlotys, and reluctance about accepting the offered six months' redundancy pay in return for leaving would be understandable.

However, Mr Gruber says that the mine has managed to cut its workforce from 6,000 people four years ago to 4,000 mainly by separating service, maintenance and engineering activities into separate companies, and by hiring no new people.

"We used to have 50 people washing the minera' clothes, but now they are in a separate company and we don't pay for their social services," he says.

But industry analysts are concerned that some mines will simply try to raise coal prices instead of cutting costs, because of the difficulty of making redundancies. Last year, the financial plight of the mines was partly alleviated by a deal with tha generating industry allowing the average domestic price of coal to rise by nearly a third.

That is a picture acknowledged by the directors of Weglokoks, the state-owned company which handles 90 per cent of exports: "The coal mines were in a weak position last year before they grouped into seven companies. There was too much competition to sell coal – now they have started acting together, they have brought coal prices up to the level of costs."

According to Mr Henryk Pyszny, Weglokoks' president, exports are currently less profitable than domestic coal sales because of low world coal prices. However if cbeaper imports begin to challenge domestic production, the mines could be plunged back further into deficit, the mines argue.

The recent changes made by a few mines point the way to solution of these problems. But measured against the goals of internationally competitive production and coal prices set by the market, coal mining is still near the beginning of a long road.

**Bronwen Maddox**

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■ Profile: STARACHOWICE

# Star-struck town fights back

Starachowice, a socialist-style company town of 60,000 souls half way between Warsaw and Krakow, has been a classic loser from the wrenching changes which have swept across Poland over the past five years. But a new joint venture meat packing plant with 51 per cent US control, and a refinancing plan for the town's main employer, the Star truck factory, has brought the first glimmer of hope to a town where 37 per cent of the workforce is unemployed.

Most have been out of work since the Star truck plant fell on hard times three years ago. In its heyday in the mid-1970s Star turned out 20,000 trucks a year. Virtually everything in the town – central heating for homes and public buildings, the hospital, the kindergarten, the high-rise housing estates, the foundry and a cluster of sub-assembly and component plants – depended upon it.

For decades Star turned out the same old models. It had no marketing department, and did not need one. Every year a certain proportion of output was allocated to the Polish military, some were painted light khaki and shipped abroad to places such as Mozambique and Angola, and others were allocated to various Polish enterprises or exported by state-owned foreign trade corporations, mostly to other Comecon "customers".

It was a quiet life and a steady one for the 11,000 employees of Star and their families, although that did not prevent Starachowice being one of the hotbeds of the anti-communist Solidarity movement. But its real troubles began only after Solidarity ousted the communists.

First came the cut in military budgets. Then the Comecon market collapsed. Then privatisation of the former state-owned transport companies, the bankruptcy of many large state-owned companies and the preference of the emerging new private sector traders for cheap, second-hand imported vans, caused demand to collapse.

Output last year declined to 1,600 vehicles, of which nearly 60 per cent were small seven-ton models hastily introduced in an attempt to satisfy the demand for smaller vehicles. An increasingly desperate search for a foreign partner ended without success after first Volvo then Renault failed to obtain tariff protection for their assembly operations.

Potential foreign partners were also deterred by the social problems involved in taking over an old-fashioned, highly indebted state-owned plant with strong union traditions.

Fortunately, inherited problems were not high on the agenda at the huge unfinished construction site on the edge of town which lay abandoned for nearly a decade after the government ran out of funds.

With the help of financial and other incentives from Warsaw, and lobbying by the town council led by its dynamic young mayor, Mr Grzegorz Wakendzic, the Epstein group, a private, Chicago-based meat processing and engineering company with links to the Polish Diaspora, agreed to invest $38m in completing and equipping the plant. The result was Constar, a joint venture in which Epstein teamed up with Animex, a state-owned food processing and trading company.

The new plant, which turns out 160 tonnes of processed meat a day, employs 1,400 workers and supplies most of southern Poland and export markets in the US and Europe, including Russia.

Another 100 jobs were created by a new cigarette factory which makes cheap cigarettes selling for the equivalent of 10 US cents a packet using the poorest quality Polish tobacco and reconditioned Molins cigarette-making machines which were bought as scrap. Soon the machines will be shipped to Belorussia where they will be re-assembled and the Starachowice plant will be re-equipped with new machines fed with higher grade tobacco.

But the main grounds for optimism surround the future of Star itself. A financial restructuring plan has been put together by Bank Rozwoju, the Polish Development Bank, on lines similar to its highly successful restructuring plan for the Szczecin shipyards.

The Szczecin yards have become a textbook case of a restructured loss-making state company which was restructured, made profitable and then prepared for privatisation. The Star plan hopes to repeat the performance.

The starting point was the purchase by Bank Rozwoju of Star's debt with Bank Slaski "at a very high discount", according to Mr Wojciech Kostrzewa, Rozwoju's president. The bank then arranged a 94 per cent writedown of the 1,700bn zloty ($80m) debt and accumulated interest, linked to a debt/equity swap and an undertaking by Star to repay 6 per cent of its principal debt (without accumulated interest) to creditors in 12 monthly payments.

The unions, meanwhile, agreed to a further 25 per cent cut in employment levels from 4,000 to 3,000 while the government agreed to finance severance pay.

"We now hope to attract foreign investors to introduce new models. The difficulties which put them off in the past have been largely eliminated. We can now offer a debt-free, slimmed down company with a workforce and management eager to make the plant viable," says Wojciech Dworzaniki, the deputy manager.

For Zbigniew Rafalski, the Solidarity union leader at the plant, the agreement is the culmination of three bitter years for workers who have struggled to preserve their dignity along with the plant but have come to terms with the realisation that it will not, and should not, return to its former size or importance.

In recent weeks, management and unions have been talking to a team from KIA, the South Korean truck company, which is looking for a low cost assembly base to supply its planned expansion into European markets. But they, and the town itself, are still open to other offers both for Star, its hived off subsidiary companies, and future greenfield investments.

**Anthony Robinson**

Zbigniew Rafalski: agreement is the culmination of three bitter years for workers who have struggled to preserve their dignity *Picture: Anthony Robinson*

Advertising is changing the appearance of Warsaw

# Poles begin to see the lights

On the train travelling from west to east Berlin, it was once easy to spot the frontier just by watching where the bright lights ended and the sombre gloom began.

In the past five years free market economics have begun to blur the difference as the appearance of eastern European cities changes with outdoor advertising covering the still shabby exteriors of most buildings.

In Warsaw, few have done as much to change the way the city looks as Catherine Sienkiewicz, the owner of Adpol, a company which owns 200 western-style illuminated bus stops carrying advertising.

Standing on the eighth floor of the Universal building above one of the city's busiest points, Ms Sienkiewicz, an attractive blonde, says she went into business once communism collapsed in 1989.

Ms Sienkiewicz's first steps, like those of many Poles now in private business, was in imports of electronics goods. "We ran a bonded warehouse," she says. Now, from her office she can see a crowd of people waiting for buses and trams at her red-painted plexiglass and steel bus shelters.

The idea came to her and her erstwhile partner Mr Andrzej Litwinek, an Anglo-Pole and refugee from Merrill Lynch in 1991, and the original six shelters came from the United Kingdom.

Now they are manufactured in Poland and their cost makes up the lion's share of the company's total 30bn zloty investment to date. Adpol still quotes its prices in pounds sterling as a reminder of the early days.

Funded through bank loans the company made a small profit last year, its second full year of operation with turnover worth 10bn zlotys in 1992 growing steadily. "Our turnover in the first two months of 1994 has already reached 5bn zlotys," says Ms Sienkiewicz who has received several offers from foreign companies ready to buy into her firm.

She refused, she says, because "this is my future". Adpol is now planning to expand into other cities such as Gdansk on the Baltic coast.

Five per cent of Adpol's turnover goes to the Warsaw city authorities under a 15-year agreement.

The bus company, which is still owned by the city, saves on the arrangement because it does not have to clean the shelters each night. That is organised by Adpol.

Ms Sienkiewicz says the advertising market is growing year by year, with more foreign companies coming in to the country and local ones increasingly appreciating the merits of trumpeting the merits of its product.

One fifth of the advertisements on the bus stops come from Polish-owned companies, the latest being a Warsaw-based fat producer which has decided to take on Unilever with its own Nova margarine brand.

But most of the business comes from the multinationals such as Philip Morris and Master Foods as dog food and tobacco vie for the attention of bus travellers and motorists stuck in increasingly common Warsaw traffic jams.

**Christopher Bobinski**

■ BREWERIES

# Taste of bitter competition to come

When Heineken recently announced its agreement to invest $40m in Poland's Zywiec brewery it drew attention to a lively industrial sector which is making efforts to adapt to the challenges of a free market economy.

At present the industry, which produces around 14m hectolitres a year to satisfy local drinkers' 40 litres per capita annual consumption, is heavily protected by tariffs. But leading managers, such as Adam Loewe from Zywiec and Pawel Sudol at the recently privatised Poznan brewery, know that their companies have a few years at most to modernise before they come face to face with competition from more efficient western European brewers. Competition will intensify when customs barriers come down, in conformity with Poland's association agreement with the European Union.

Brewers have had a taste of what is to come from a group of Australians led by Tony Oates, formerly Alan Bond's finance manager, who in 1991 established a $200,000 joint venture with two brewing companies in Gdansk and Elblag, in northern Poland. The resulting modernisation and expansion brought output up to 1.8m hectolitres last year.

Higher output has been coupled with aggressive marketing which has seen the Australian-owned beer encroach on the Silesian market. Silesia is the beer-swilling mining and heavy industrial part of southern Poland which is the home of state-owned brewers such as Tychy and Zabrze as well as Zywiec.

Zywiec, a listed brewery, had already responded to the challenge by developing an advertising campaign designed by J Walter Thompson seeking to change the drink's image and aiming it at the prosperous young. It is more expensive than other brands giving it a higher profit margin. It also developed a nation-wide distribution organisation modelled on the methods of companies like Coca-Cola.

However, the decision by the independent-minded Mr Loewe of Zywiec to enter into the alliance with Heineken which gives the Dutch company a 25 per cent share, showed that even Zywiec with its 8 per cent market share and relatively strong profits, felt that time was running out.

In contrast, management at Okocim, the other listed brewery, found last month to its surprise that Brau und Brunnen, a leading German brewery, had secretly been buying up its equity and announced that it controlled a 25 per cent share. The German decision was taken last year after it dropped plans to build a new brewery near Brzeg in southern Poland at a cost of DM145m ($82m).

Foreign investment elsewhere in the industry has been delayed by a ban on sales of state-owned breweries to foreign companies. This has led to delays in privatisation of the sector which saw a sale early in 1992 of 30 per cent of the Koszalin brewery to Holsten, another German company. This was followed by a hiatus which ended last autumn with the sale of the Poznan brewery to a local investor.

Next in line is Ringnes, the Norwegian brewer, which is hoping to purchase the ailing Warka brewery.

**Christopher Bobinski**

At the Centre of Events.

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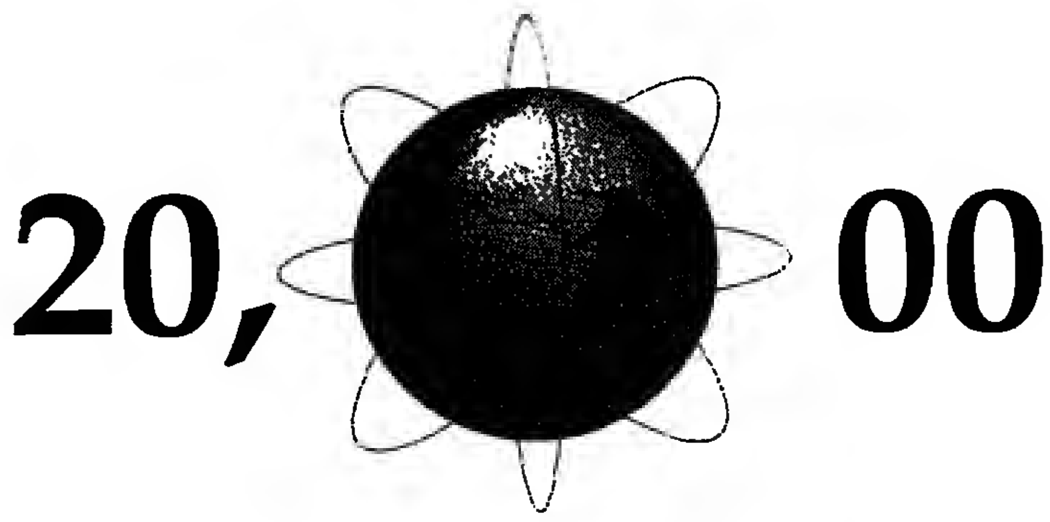


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ENVIRONMENT

■ POLLUTION

# Rubbing salt into a city's wounds

The river Vistula in Krakow is now saltier than the Baltic sea because of pollution from the coal mines of Silesia, according to the city's environmental protection department. Every day, the equivalent of 18 freight trains of salt, each with 50 cars carrying 20 tonnes, flows past the city.

Now the water in Krakow's new reservoir is deteriorating because of sewage and fertiliser contamination, and the city could run short of clean water in three to five years, environmental inspectors fear.

That is just one example of the ravages which Poland's industrialisation has made on the environment. Most damage is concentrated in the industrial heartland of the south and west, where air pollution in the late 1980s ran at five times the national average. Life expectancy for Silesian men is five to 10 years lower than the national average, at between 65 and 67 years, inspectors say, and children in particular suffer respiratory diseases.

Mr Andrzej Kassenberg, an ecologist who sits on the environmental advisory board of the European Bank for Reconstruction and Development, says: "Restructuring of the economy provides a huge opportunity not to repeat the mistakes of the past." The question now is whether Poland can take that chance.

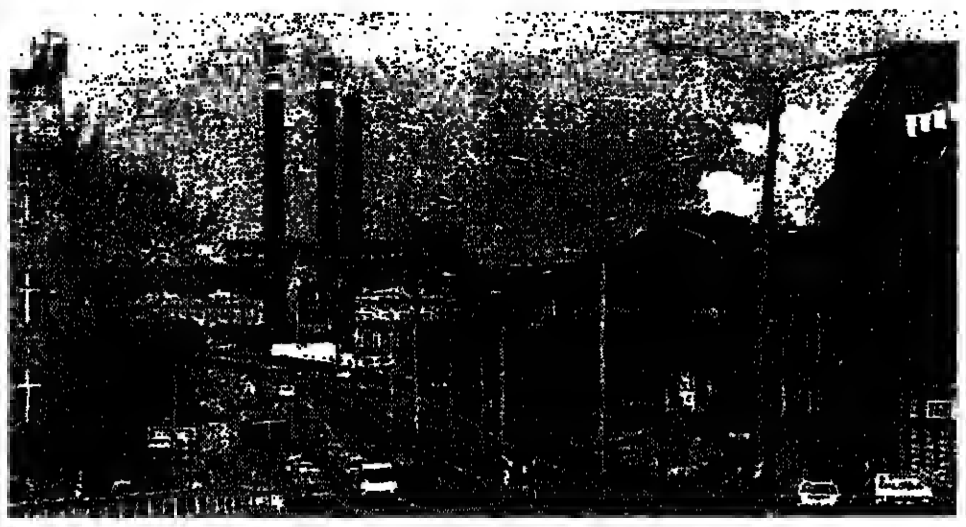
In the past three years there has been a dramatic improvement in air quality, but the cause is the collapse of old industries not environmental spending. According to Mr Konrad Turzanski, of the environmental protection inspectorate in Krakow, emissions of dust and sulphur in the region are around a third of their level in the mid 1980s partly because power plants are operating at a third of capacity.

But as national figures show, water pollution continues to worsen, and the problem of disposing of the cities' solid waste is increasing. Meanwhile, rural areas lag behind: only 5 per cent of households in villages have plumbing and 2 per cent sewage treatment, compared to around three-quarters of the total in cities.

Government strategies for tackling these problems have so far had less impact than economic slump. Poland's elaborate system of environmental charges and penalties is under strain and only partially enforced.

Under these rules, regions can charge companies for emitting pollution, and fine them if they break standards. The regional environmental protection funds which receive the money give 40 per cent to the national environment fund in Warsaw, 10 per cent to local communities, and then are free to spend the rest on local projects for improving the environment. The national fund receives some 7,000bn zlotys a year from pollution charges.

But the funds are handicapped by some companies' inability to pay. According to Ms Anna Zawiejska, deputy-director of the Katowice environment department, the coal mines are particular offenders. Nor can they afford to invest in water treatment plants to remove the salt.



Fuming chimneys: a metallurgical factory in Chorzow spews gases into the atmosphere

She points out, too, that if a struggling industrial plant which has not paid its environmental charges is taken over "the buyer wants any liabilities to be cancelled".

The heart of the problem is the threat that environmental spending appears to pose to jobs. Mr Jerzy Wertz, director of the environmental protection department in Krakow, estimates that 120,000 people are dependent on the Nowa Huta steelworks. "It is by far the most important employer in the region, he says.

Environmentalists and local government officials say a growing awareness of that potential conflict, and growing worries about redundancy, have made people in the region ambivalent or even hostile to environmental improvement.

According to Ms Zawiejska, "in 1989 Solidarity wanted the steelworks at Bytom closed. Now they want it to stay open". Environmental groups say most interest in "green" issues is found among educated people in private companies. They are unlikely to bring political pressure to bear on these regional dilemmas.

Some of the recent economic restructuring also poses a threat to the environment. Mr Andrzej Weigle of the National Foundation for Environmental Protection, a Warsaw-based environmental group, is worried that the loosening of controls on farmers will lead to more tree-felling.

"In the past, rules were enforced. Now we have to persuade people that it is in their interest to protect the environment. It is more democratic but takes longer," he says.

Hopes for environmental improvement are pinned on a gradual increase in energy efficiency as more modern factories replace the old, and on better enforcement of regulations.

Mr Jan Wrobel, a director at the national ministry of environmental protection, says he can understand environmentalists' fears that companies invest in Poland to take advantage of lax environmental standards. But in the long run, he argues, these fears are unjustified: Poland's standards will be brought up to those of western Europe. "We do not allow factories to come into being which break the rules."

But others remain sceptical. According to Mr Kassenberg, "my fear is that if Poland becomes a European tiger, as some people say, air pollution will go back to where it was".

**Bronwen Maddox**

**Air pollution and river quality**

| | 1980 | 1992 |
|---|---|---|
| *AIR POLLUTION (tonnes per km²)* | | |
| National average | | |
| Sulphur dioxide | 9 | 6 |
| dust and carbon particles | 8 | 2 |
| Silesia | | |
| Sulphur dioxide | 143 | 55 |
| dust and carbon particles | 96 | 19 |
| RIVER QUALITY | | |
| % of river lengths ranked as Class I (cleanest) | e | 2 |
| % failing to be classified because of pollution | 36 | 60 |

*Source: Environment Ministry*

**Bronwen Maddox** visits an unspoiled wilderness where wildlife abounds

# Where the bison roam free

The long, scuffed tracks in the snow between the trees give some warning. But it is still a shock when the black, shaggy bulk of a bison, one of the largest and rarest wild creatures in Europe, emerges out of the forest shadows at the roadside.

Poland's environment contains some of Europe's extremes: Silesian filth in the south-west, and undisturbed wilderness in the east.

The government is keen for the wilder regions to attract tourism. But while Polish environmentalists are worried about the impact of development, so far the remoter regions remain astonishingly unspoiled.

Two hours east from Warsaw, the road becomes entangled in the Biebrzy marshes – 100 kilometres of peat bog, the largest in Europe.

Naturalists recite its catalogue of wildlife with reverence: 36 species of fish and 235 species of birds, which make it a stopping point on the north-south migration routes.

When it floods in the spring, it becomes half land, half water; horses become stranded trying to cross it, people resort to dinghies, and only tha marshes' 400 wild moose, with huge, splayed hooves, can venture across safely.

The real heart of the Polish wilderness, however, is still further east.

The Bialowieza, Europe's last primeval forest, is a dark, ungroomed tangle of oak and ash, straddling the border with Belarus.

For years the region has been a twilight zone of half-forgotten villages connected by potholed roads. The ethnic and religious homogeneity of much of Poland yields to a central European medley; the small Ukrainian and Belarus communities are marked by the domed spires and double-barred crosses of Orthodox churches.

The region's isolation has helped preserve species rare elsewhere. Golden-beaked eagles crouch in the grass over dead chickens, while wild boar gouge troughs in the snow looking for nuts, and the deeper forest recesses conceal lynx and wolves.

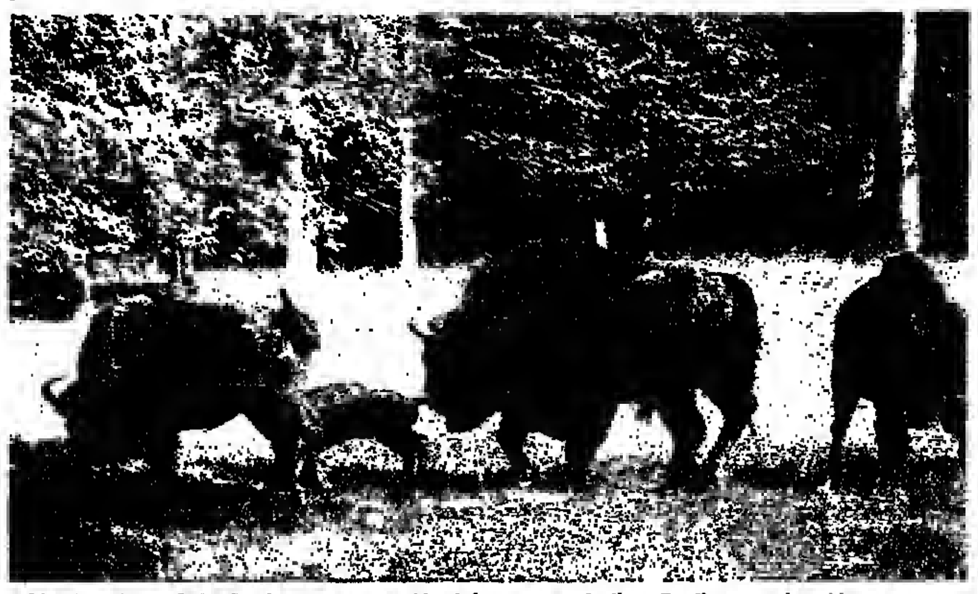
But the undisputed pride of the forest is the bison, coaxed back from near extinction after the war, when only six were left alive. The forests, formerly hunting grounds for aristocrats, were protected as a nature reserve under communism.

After careful breeding, there are now 251 bison roaming the forests in dozen-strong bands, 37 in compounds at the forest's centre, and another 300 on the Belorus side of the border.

Taller and slimmer than the North American buffalo, their heads are larger and thrust further forward. Adult males weigh up to 1,000 kilos, with foot-long pointed horns. "They have a wild temper – there is no possibility of a person touching them," say the foresters.

Mr Zbigniew Krasinski, head of bison research at the reserve, says: "We are looking for signs of problems because the genetic pool is so small, such as a drop in fertility or physical deformation. But so far we have found none."

Poaching is a concern – hunters do not attack the bison directly, but their snares entangle the animals' muzzles and hooves.



Pride of the forest: Poland's bison were coaxed back from near extinction after the second world war

So is the antagonism of farmers bordering the forest, whose crops are regularly raided by adventurous herds.

But one of the reserve's most controversial tasks is keeping down the numbers – the bison, which mainly eat grass, also strip the bark from ash and oak.

The reserve exports as many bison as it can to other regions of Poland and abroad.

However, it still must shoot several dozen a year to keep the population stable. The staff "pick the ones with defects – those which are weaker, or were late calves, or limp", says Mr Krasinski.

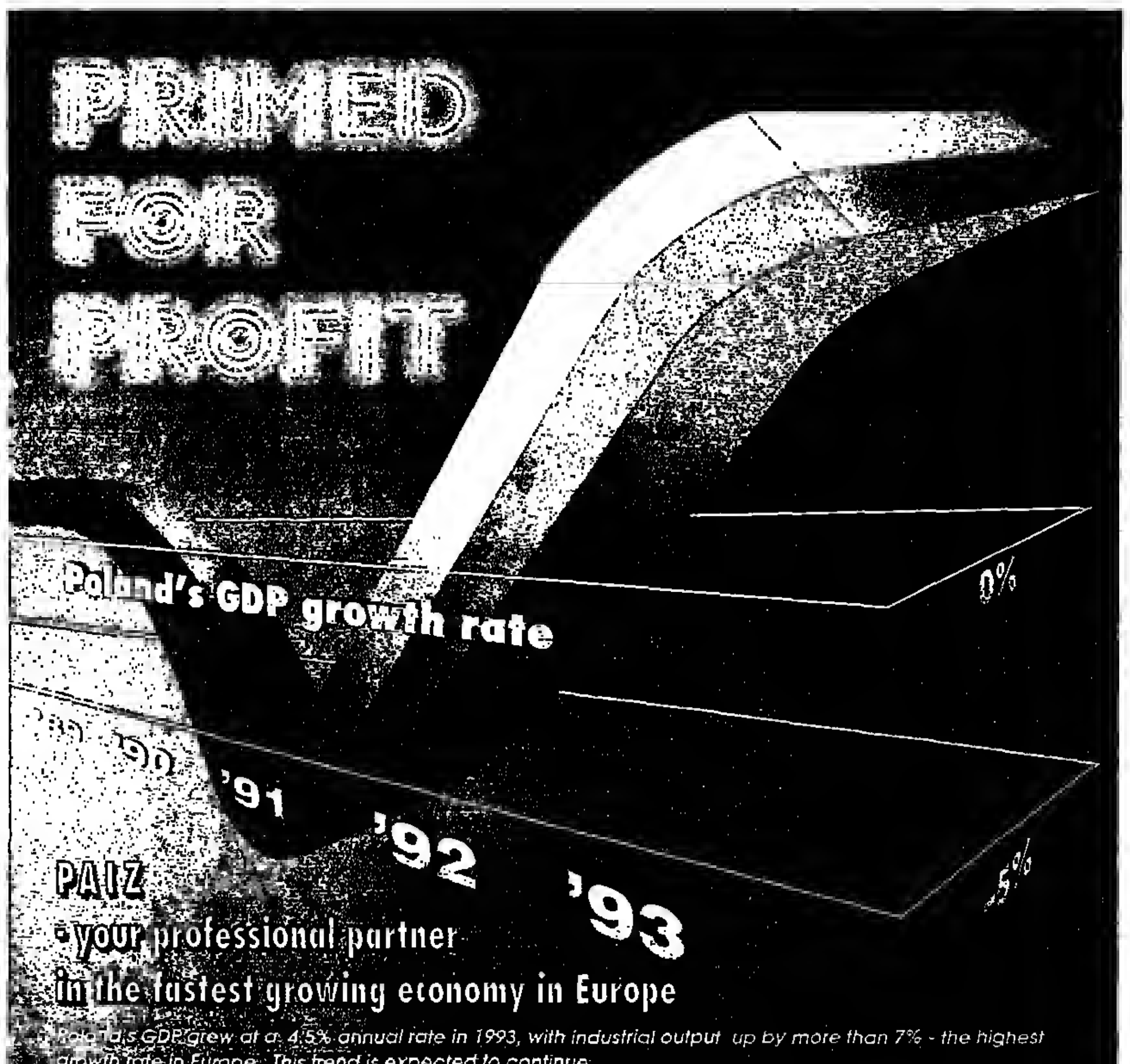
Bialowieza has rejected the route taken by other Polish reserves in the north-east and south-east where hunters are permitted to pay to shoot the bison for sport.

According to Mr Krasinski, the right to shoot a large bison with impressive horns – "a gold model" animal – fetches about DM11,000 ($6,250).

"Maybe shooting would be profitable but there is a strong lobby of environmentalists who say 'not in the Bialowieza – you can't shoot the king of forest in his castle'," says Mr Krasinski.

That decision leaves the reserve with slender finances. It enjoyed 100,000 visitors a year before 1989, mainly large expeditions from state factories, but now receives only 60,000, of which only 5,000 come from outside Poland.

The foresters are sanguine, however. "We don't want mass tourism here", says Mr Krasinski. "Sure, money is a problem, but somehow we always manage."

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